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D 8523 B

Wishful thinking on
U.S. defence
priorities, Page 12

Austria ... Sch. 18	Indonesia ... Rp 2500	Portugal ... Esc 80
Belarus ... Rls 3 650	Ivory ... L 1300	S. Africa ... Rcs 80
Belgium ... Bf 1750	Japan ... Y560	Singapore ... \$5 4.10
Canada ... Cdn 2.10	Jordan ... Ps 500	Spain ... Pes 110
Cyprus ... Cyp 7.25	Lithuania ... L 6.00	Sri Lanka ... Ru 30
Denmark ... Dkr 7.25	Latvia ... L 1.00	Sweden ... Kr 6.50
Egypt ... Esc 1.00	Lebanon ... L 1.00	Switzerland ... Fr 2.20
Finland ... Fmk 5.00	Malta ... L 1.00	Yemen ... Yr 5.00
France ... Fr. 8.00	Mexico ... Ps 250	Yugoslavia ... NT 2.95
Germany ... DM 2.10	Morocco ... Dir 25	
Grance ... Fr. 7.70	Moscow ... Ps 300	
Hong Kong ... HK 12	Myanmar ... Ky 25	
India ... Rupee 15	Philippines ... Ps 20	
Japan ... Yen 120	U.S.A. ... \$1.50	

World news

Business summary

Mandela rejects freedom offer

Black South African nationalist Nelson Mandela in jail for over 20 years rejected President Pieter Botha's conditional offer of freedom.

The terms were that he should reject violence as a means of achieving political ends. In a statement read for him in Soweto, Mandela said he would not accept release while the African National Congress was banned.

While Mandela and other ANC leaders who are jailed with him in Pollsmore prison outside Cape Town have turned down conditional freedom offers, two unnamed political prisoners held on Robben Island have accepted unconditional offers. Page 2

Party choice

Portuguese Minister of Justice Rui Machete was chosen as the new president of the Social Democratic Party, junior partner in the country's centre-left coalition Government. Page 2

Pacific protest

Thousands of people defied New Caledonia's official curfew and crowded the streets to protest against independence plans for France's troubled South Pacific territory.

Swiss suspects

Swiss police arrested two West Germans in connection with the abduction last month of Sven-Axel Springer, grandson of German publisher Axel Springer. They are former pupils of his Swiss school.

Hassan cut

Spain's state-controlled television cut an interview with King Hassan of Morocco after a preview, including remarks on his country's sovereignty claims over the Spanish enclaves of Ceuta and Melilla, provoked a nationalist outcry.

Wales appeal

Lech Walesa, the Polish dissident leader, appealed for a national accord in the aftermath of the trial of the murderers of Father Jerzy Popieuszko, the pro-Solidarity priest.

Sri Lanka 'pact'

The possibility of a closer and more co-operative relationship developing between India and Sri Lanka emerged after a meeting in New Delhi between Indian Prime Minister Rajiv Gandhi and Lalith Athulathmudali, National Security Minister of Sri Lanka. Page 2

Lebanon bombing

A car bomb exploded outside a Moslem militia headquarters in Tripoli, Lebanon, killing seven people and wounding about 25.

Drought aid probe

The Ethiopian Government is investigating why substantial amounts of cash raised in Europe and North America for drought relief are not reaching the country.

Warming to Labour

British Labour Party deputy leader Roy Hattersley said the party must reject extreme left-wing calls to challenge the Conservative Government by defying the law or industrial disruption. Page 5

UK pensions move

The UK's state earnings-related pensions scheme will be abolished if the Cabinet accepts the recommendations of Social Services Secretary Norman Fowler to radically reform Britain's social security arrangements. Page 5

Tokyo-Europe service

Japan Air Lines is to launch the first non-stop Tokyo-Europe service in April 1986. Cutting out the Moscow stop will trim about 2½ hours off the 14-hour flight.

Eastern Air Lines close to debt deal

EASTERN AIR LINES of the U.S. is close to resolution of its immediate debt problems and the battle with its trade unions over proposed pay cuts. Page 17

LATIN AMERICAN debtors signalled a new mood of pragmatism in their efforts to persuade the industrialised countries and the international financial community to consider ways of dealing with the region's \$350bn foreign debt. Page 2

BOLIVIAN peso was devalued from 9,000 to 45,000 to the U.S. dollar. Page 2

BRAZILIAN Government is attempting to dispose of the assets of the Sul Brasileiro financial group, which it rescued from the brink of collapse last week among a group of eight leading banks. Page 17

EUROPEAN Monetary System: The Dutch guilder continued to lose ground last week as the dollar rose

BY STEWART FLEMING IN WASHINGTON

HONDA has told Britain's Department of Trade and Industry (DTI) that it intends to build an engine manufacturing plant on a 330-acre site at Swindon, in southern England, which will be followed by full car production.

The "greenfield" site has already been acquired, following negotiations with the local Government authority last year, and Mr Tadashi Kume, Honda's president, is expected to perform a "ground-breaking" ceremony next month.

Executives of Honda's wholly-owned importing subsidiary in the UK have consistently maintained

that the company was seeking a much smaller site at Swindon only to install a test and preparation centre for the "XX" and "HX" executive cars developed jointly with Britain's Austin Rover, which is to start building the cars for itself and Honda later this year. Austin Rover is part of BL, the UK state motor

Austin Rover's increasingly close collaboration with Honda.

While the DTI is being kept in touch with Honda's planning and has been told of the Swindon project, the department is reluctant to discuss the matter further because of commercial confidentiality. It also suggests that there is no immediate reason for government involvement, indicating that Honda has yet to approach the Government for any form of investment aid.

The Government is planning to provide £112m (\$122m) in financial assistance to Nissan, the first Japanese car maker to announce a car

production project in the UK, provided it progresses from assembly of 24,000 cars a year, starting in 1988, to full manufacturing (including engines) of at least 100,000 cars a year by 1990.

The aid for that project, on a 800-acre site in the high-unemployment area of Washington, in north-east England, embraces £33m in selective financial assistance, £45m in regional aid, £40m under further assistance aid schemes.

The engine plant is expected to supply units both for Honda's own use and further joint projects with BL.

Honda, however, sees the Swindon project as separate from although complementary to, its collaboration with BL.

It also plans to install an engine plant at its Maryville, Ohio, factory in time onstream in 1988, and will start reducing cars in Canada in 1987 to round out its plans to become the largest Japanese producer in North America.

The timing for completion of these plans would appear to fit neatly for a move into production in continental Europe at about the same time as Nissan moves to full manufacturing.

While the Nissan project has caused some anxieties among car

Continued on Page 14

Honda's expansion, Page 3

Tension on monetary targets mounts before key Fed policy talks

BY STEWART FLEMING IN WASHINGTON

THE U.S. Federal Reserve Board's monetary policy-making Open Market Committee assembles tomorrow for one of the key sessions from its annual calendar amid signs of emerging tension between the central bank and the Reagan Administration.

Wall Street economists expect the committee to debate the question not only of whether current monetary policy should be changed, but also whether or not to revise the tentative monetary growth targets set last July for 1985.

Already some Administration officials have made it clear they want to see that the Fed revises its targets to allow it to be more flexible, and initially, more relaxed in the restraints it puts on the growth of the money supply.

Last week President Reagan himself, in a letter accompanying the annual report of his Council of Economic Advisers, voiced explicit criticism of the central bank's recent monetary policy decisions. In his State of the Union address, the President appeared to be pressuring the Fed to support a policy of more rapid economic growth as a way of helping to defuse the threat posed by the \$200bn-plus federal budget deficit.

At present the Fed has set a growth target of between 4 and 7 per cent for the narrow M1 measure. Theira remained in top position, unaffected by recent suggestions that it should be devalued. Page 23

York, says evidence that the U.S. economy appears to be recovering from the slowdown in growth in the second half of last year, the fact that the monetary aggregates are growing above target levels, and a reluctance to declare a premature victory over inflation will tend to reinforce the arguments of those Open Market Committee members who do not favour easing monetary policy now.

Dr Griggs, like many Wall Street economists, is not expecting any tightening of Fed policy either, but thinks the central bank will maintain its current monetary stance.

Although at one level a narrow technical argument, the issue has potentially significant implications. It would raise the starting point on which monetary growth is to be calculated by some \$5bn because actual monetary growth was slow in the fourth quarter. It would thus create greater flexibility for the Fed in interpreting how tight or easy current monetary policy should be.

The M1 measure of the money supply is growing above its existing target range at present and in the view of some Wall Street economists this is one of several factors which will encourage the Fed not to ease its monetary policy at this week's meeting.

Dr William Griggs, an economist with Griggs and Santow in New York, says evidence that the U.S. economy is recovering from the slowdown in growth in the second half of last year, the fact that the monetary aggregates are growing above target levels, and a reluctance to declare a premature victory over inflation will tend to reinforce the arguments of those Open Market Committee members who do not favour easing monetary policy now.

Mr Martin's view appears to be more in line with what President Reagan would like to see from the central bank. In his weekly radio broadcast on Saturday, Mr Reagan again argued that economic growth is the best solution for the budget deficit.

U.S. banks seek to lift limit on bourse activities

BY PAUL TAYLOR IN NEW YORK AND DAVID LASCELLES IN LONDON

AMERICAN BANKS are pressing the Federal Reserve Board to ease a regulation which limits sharply the amount of securities underwriting that a foreign subsidiary can do anywhere in the world.

They are particularly concerned about the regulation's impact on the links that U.S. banks are forging with London stockbrokers to take advantage of the liberalisation of the UK securities markets. Unless it is lifted, they fear, they will be left at a serious disadvantage when London Stock Exchange membership is opened up some time in the next year or so.

The restrictions, contained in the Little-known Regulation K, state that overseas subsidiaries of U.S. banks may only underwrite equity securities up to \$2m at a time, or 20 per cent of the capital of an issuer, unless the underwriter is covered by binding commitments from sub-underwriters or other purchasers.

Bankers maintain that this figure is far too small to allow them to engage in equities underwriting in any meaningful way. The Fed is currently reviewing the regulation and has received lengthy deposits from the banks. It is not clear, however, how or when these restrictions will be modified.

The regulation amputates the limitations that have long existed on U.S. banks' domestic underwriting abilities by virtue of the 1933 Glass-Steagall Act, which created a strict division between commercial and investment banking.

The New York Clearing House, which represents the interests of the 12 largest banks in the city, is urging the Fed to raise the \$2m limit to \$25m, and the 20 per cent limit to 50 per cent.

In a report to the Fed it called for

American corporate profits rise 14%

By Terry Dodsworth and Paul Taylor in New York

U.S. CORPORATE after-tax profits rose last year by 14.4 per cent to \$145.8bn according to preliminary estimates from the Commerce Department.

The increase, after a 21.6 per cent jump in 1983, was rather less than expected earlier in the year after the extremely strong first-half.

Profits fell away in the second half, broadly reflecting the slowdown in the economy and the surprisingly competitive pricing environment.

The month-long labour dispute at General Motors also threw out many calculations, reducing the car group's profits alone by at least \$500m according to some analysts. Earnings were still ahead at \$4.5bn against \$3.7bn in 1983, however.

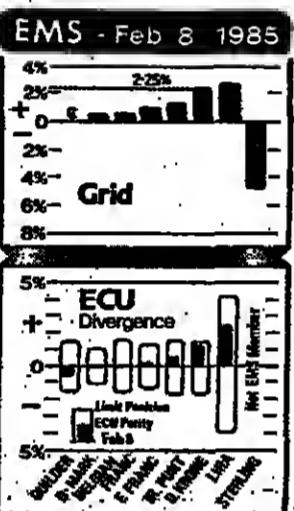
Wall Street believes that companies will again find it difficult to push through big price increases this year, thus reversing the trend of the 1970s in which profits at this stage of the economic cycle tended to reflect inflationary pressures.

Even so, analysts are projecting profits increases in 1985 of between 5 per cent and 12 per cent for the year. Salomon Bros, for example, is forecasting a \$2 increase in per-share earnings for the company's broadly-based Standard & Poor's 500 index to \$19 a share. Moderate wage settlements are expected to help profits considerably, following the exceptionally low increases agreed in unionised contracts last year. According to the Labor Department, average annual increases over the lives of the three-year contracts negotiated last year will amount to 2.6 per cent.

The 1984 results of U.S. corporations threw up some sharp contrasts.

Continued on Page 14

U.S. corporate results, Page 12



Iran may force trade partners to buy oil

BY KATHY EVANS IN TEHRAN

IRAN HAS launched a campaign to its purchases from Western suppliers to the amount of oil they buy. Mr Ali Akbar Velayati, the Iranian Foreign Minister, warned Iran's trade partners that unless they are willing to enter into barter deals, then Iran would be forced to reassess their relations with them.

"We are determined that those countries which will not sell to Iran will not sell to it either," he said at the weekend.

The initiative is believed to have been promoted by the Oil Ministry, which is concerned about the future level of Iran's oil exports. Official sources say that oil exports were less than 1m barrels a day in January, but had edged up slightly this month. Diplomatic sources in Tehran believe they may be as low as 750,000 b/d.

The prospect of this decline continuing is clearly worrying the Iranian Government, which is concerned over the financing of its war effort and maintaining its general budget requirements.

Some nations, such as Japan, are already being restricted on the amount of goods they can sell to Iran. Japan is allowed to export only the equivalent of 50 per cent of its oil purchases from Iran. Now Iran is seeking to apply this formula to other nations as well. West Germany, whose exports to Iran are many times the value of its oil purchases, is apparently bearing the brunt of the pressure.

The Iranians are also determined to end their reputation as the

cheapest oil supplier in the Organization of Petroleum Exporting Countries. Concern over revenues led Iran to refuse to support the last agreement reached by Opec in Geneva last month which effectively lowered prices.

Yesterday, however, Iran gradually accepted the new lower price structure, posting the official Iranian light crude price at \$28.05. Heavy crude was put at \$27.35 a barrel.

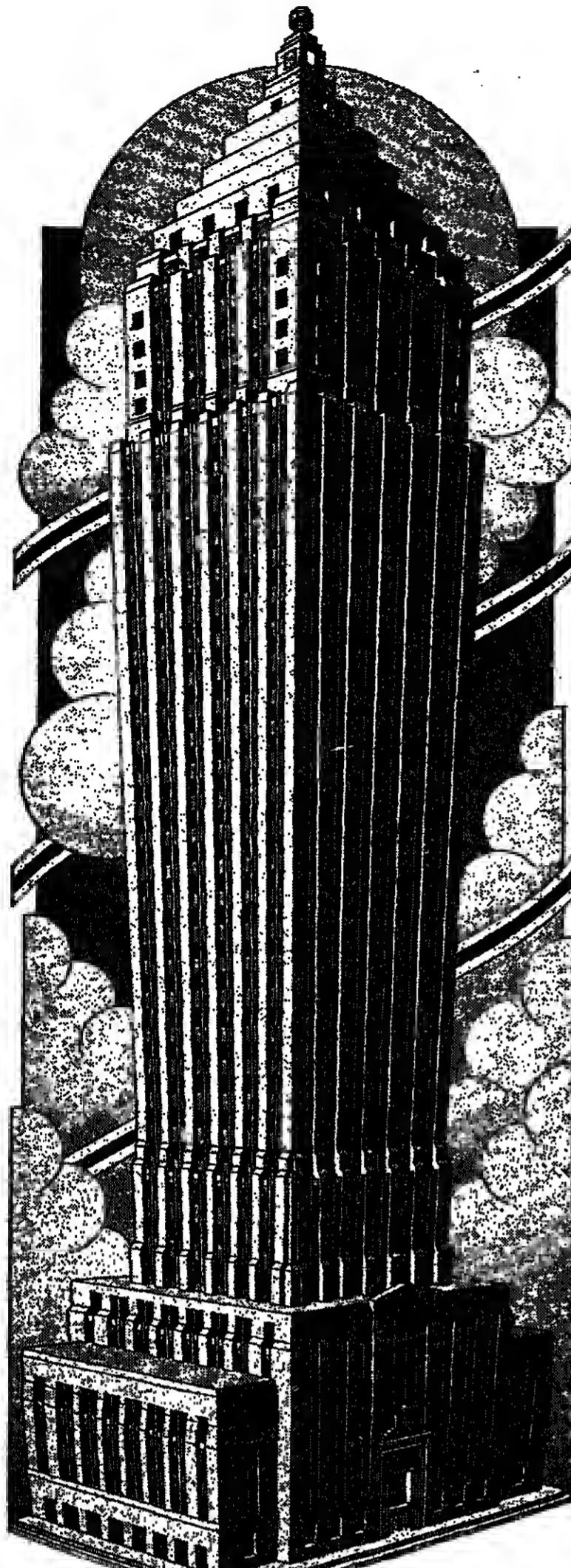
In the past Iranian official oil prices have been largely theoretical, as negotiations have centred on the size of the discount offered in compensation for the additional cost of war risk insurance. Senior officials say the new prices will apply only at Kharg Island, and that the usual compensatory payments will be available to take account of the extra shipping costs.

There has been a growing tendency by customers to lift oil at Sirri Island, a smaller export terminal to the south of Kharg, outside the war zone. Iran is now saying that customers should bear the cost of the shuttle service they are mounting to Sirri from Kharg Island.

Oil traders rejected this suggestion, saying that Kharg Island liftings should carry discounts of \$1.30 on light and \$1.10 on heavy crude.

Iranian leaders have indicated recently that they want to avoid the trap of discounts becoming a permanent feature of Iranian energy prices. Sirri Island liftings, oil officials point out, do not require additional insurance premiums.

OVERSEAS NEWS



THIS MAY WELL BE THE MOST ELEGANT CORPORATE ADDRESS IN PITTSBURGH, AND IT'S FOR SALE. ON FIRST SIGHT, IT'S THE GRACERFUL ART DECO LINES SOARING IN PALE GRAY LIMESTONE THAT WILL IMPRESS YOU. BUT BEHIND ALL THAT CLASSIC FINERY IS A THOROUGHLY MODERN, 44-STORY SKYSCRAPER. THERE ARE HAND-CUT ITALIAN MARBLE WALLS INSIDE DOUBLE-PANED, TRIPLE WEATHER-STRIPPED WINDOWS OUTSIDE. ORIGINAL BRONZE ELEVATOR CARS FROM THE '30S TRAVEL AT HIGH SPEED. OFFICES RECALL AN EARLIER ERA WITH DETAILS LIKE ORNATE MOLDINGS AND WAINSCOTING, BUT THEIR CLIMATE IS CONTROLLED BY A COMPUTERIZED ENERGY MANAGEMENT SYSTEM. WHAT'S MORE, EVERY EFFICIENT, CLASS A INCH OF ITS 409,820 NET SQUARE FEET HAS BEEN LAVISHED WITH CARE AND ATTENTION, AND IT SHOWS. TO LEARN MORE ABOUT THE GULF BUILDING, CONTACT: GULF OIL CORPORATION - RICHARD A. FLINN, DIRECTOR OF DIVESTMENTS 439 SEVENTH AVENUE PITTSBURGH PA 15219 (412) 263-5073

THE GULF BUILDING: A LANDMARK LOCATION

Mandela rejects conditional freedom

By Jim Jones in Johannesburg

MR NELSON MANDELA, the imprisoned black South African nationalist leader, yesterday firmly rejected a conditional offer of freedom made last week by President Pieter Botha. In his public response, read by his daughter, Ms Zindzi Mandela to a meeting arranged by the United Democratic Front in Soweto, Mr Mandela said he would not accept the offer while the African National Congress was still banned.

President Botha's offer to end Mr Mandela's 28-year imprisonment was conditional on his rejection of violence as a means of achieving political ends. In response, Mr Mandela called on Mr Botha to renounce violence to say that he will dismantle apartheid, to banish the ANC, to free everyone imprisoned for opposition to apartheid and to guarantee free political activity to allow the people to decide who would govern them.

Mr Mandela's response to President Botha's offer echoes the differences between the country's white and black leaders. In saying that only free men could negotiate and that prisoners could not make contracts, Mr Mandela made clear that even out of prison he felt that he would not be entirely free.

Two unnamed political prisoners held on Robben Island have accepted conditional freedom offers after serving more than 20 years of their life sentences.

Israel attacks Palestinian guerrilla base

By David Lennon in Tel Aviv

ISRAELI WAR planes attacked a Palestinian guerrilla base in eastern Lebanon near the Beirut-Damascus highway yesterday after an Israeli soldier was killed and three others wounded in an ambush in southern Lebanon, earlier in the day.

The army said the air force had hit a building which had been used by the Democratic Front for the Liberation of Palestine to launch attacks on Israeli troops in Lebanon. It was the second air strike against Palestinian bases in Lebanon this year.

There has been a major escalation in the number of attacks on the Israeli forces in Lebanon, since Jerusalem announced it would withdraw its forces from the Sidon area by February 18. Most of the attacks are carried out by the local Shi'ite Moslem population opposed to the Israeli occupation.

Yesterday's ambush was near the port town of Tyre. This will remain under Israeli control for the first phase of the withdrawal to be completed this month.

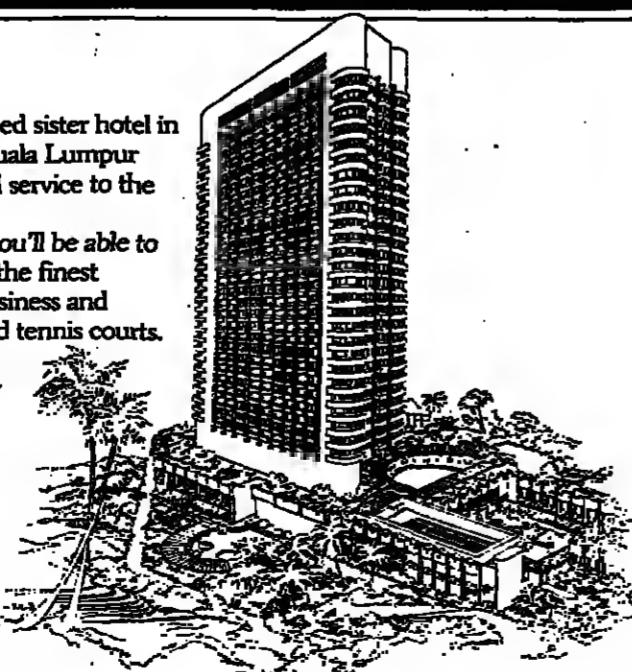
Another Israeli soldier who was injured in a guerrilla attack in Lebanon last week died of his wounds over the weekend and was buried yesterday.

• A car bomb exploded outside a Moslem militia headquarters in Tripoli yesterday, killing eight people and wounding about 25, Reuter reports from Lebanon.

The bomb went off in front of the headquarters of the Islamic Unification Movement (Tawheed), a powerful Sunni Moslem fundamentalist group which has fought with a pro-Syrian Alawite militia for control of the northern port city.

THE GULF BUILDING: A LANDMARK LOCATION

Opening April 20th in Kuala Lumpur the new Shangri-La Hotel



Following in the footsteps of its famed sister hotel in Singapore the new Shangri-La Hotel in Kuala Lumpur brings a world-famous brand of luxury and service to the Malaysian capital.

When it opens on April 20th 1985 you'll be able to enjoy luxurious accommodation, some of the finest restaurants in Kuala Lumpur plus total business and recreation facilities that include squash and tennis courts.

Isn't it nice to know that when you next visit Kuala Lumpur you can now stay at the Shangri-La. Where else?

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Shangri-La Singapore. Shangri-La Kuala Lumpur (Opening 1985). Shangri-La Beijing (Opening 1985). Shangri-La Bangkok (Opening 1986).

Cartagena group rethinks approach on debt

BY ROBERT GRAHAM IN SANTO DOMINGO

LATIN AMERICAN debtors have signalled a new mood of pragmatism in their efforts to persuade industrialised countries and the International Financial Community to consider new ways of dealing with the region's \$350bn (2518m) foreign debt.

Foreign aid and finance ministers of the 11-nation Cartagena group of Latin America's major debtors were anxious to convey this message after two days of meetings ended here late on Friday.

All rhetoric was dropped at the third ministerial meeting of the Cartagena group and the emphasis was laid instead on seeking practical ways to ease the debt problem. The meeting was still banned.

President Botha's offer to end Mr Mandela's 28-year imprisonment was conditional on his rejection of violence as a means of achieving political ends.

In response, Mr Mandela called on Mr Botha to renounce violence to say that he will dismantle apartheid, to banish the ANC, to free everyone imprisoned for opposition to apartheid and to guarantee free political activity to allow the people to decide who would govern them.

Mr Mandela's response to President Botha's offer echoes the differences between the country's white and black leaders.

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Two unnamed political prisoners held on Robben Island have accepted conditional freedom offers after serving more than 20 years of their life sentences.

As foreseen at the conference of European and Central American foreign ministers held in

Brussels in September, the document will be signed by the five members of the Central American Common Market (Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica) and Panama.

It will cover increased European aid to the region and support for economic integration and peace initiatives.

Yesterday Vice-President Sergio Ramirez of Nicaragua met for more than an hour with Mrs Margaret Thatcher, UK Prime Minister, at Downing Street. He asked Britain and other European states to try to persuade the Reagan Administration to moderate its hostility to Nicaragua.

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WORLD TRADE NEWS

John Griffiths examines the strategy of a Japanese car giant in Europe and the U.S.

Why expansion holds few fears for Honda

SETTING UP manufacturing facilities outside Japan holds fewer fears for Honda, the country's third largest carmaker, than for its principal rivals.

The reasons lie in the approach Honda adopted more than two decades ago, during its meteoric rise to become the world's largest motorcycle manufacturer. For many years, it has had motorcycle production or assembly plants scattered around the world.

In Europe, for example, its 70,000-a-year moped manufacturing plant has been operating in Belgium since 1963, another in Italy since 1974. It also has long had plants in the U.S. Its intentions in the U.K. mark a similar expansionist course for cars.

Honda's success in the car field has already been spectacular. In the past four years, its total car sales have increased from \$14,000 to just over £1m. In 1975, its total car output was only just over 300,000.

But its extreme dependence on sales outside Japan—accounting for 64 per cent of its

HONDA'S SALES IN EUROPE (1983)		
	Units	Market share (%)
W. Germany	30,766	1.27
UK	18,796	1.04
Netherlands	10,815	2.36
Belgium	8,999	2.45
France	8,227	0.40
Switzerland	7,028	2.54
Austria	4,149	1.61
Ireland	4,055	3.37
Norway	2,976	2.97
Sweden	2,966	1.00
Denmark	1,162	1.00
Spain	872	0.57
Portugal	543	0.00
Italy	298	0.02
Ireland	2	0.00
Total	101,975	0.98

Source: Automotive Industry Data

prompted it into becoming the first of the Japanese car makers to start manufacturing there.

Honda's "Accords" have been rolling out of a plant at Marysville, Ohio, since 1982 and it is in the process of doubling capacity to 300,000 a year in 1988.

The combined investment is nearly \$500m (£454m). In addition, a 150,000-a-year engine plant there is planned for 1988 and a plant in Canada should start producing 40,000 cars a year from 1987.

Honda's strategy is to become the largest Japanese car producer in the U.S. by 1990—despite the fact that its two main and much larger rivals, Toyota and Nissan, have followed it into the U.S.

It can argue that having made the commitment to compete with U.S. manufacturers on "level terms," in theory wiping out the \$1,000-\$1,500 cost advantage the U.S. industry claims Japanese makers possess on direct imports, the North Americans can hardly complain if they do not match up.

Where restrictions do not exist, such as Finland, the Japanese market share has risen as high as 40 per cent.

Similar circumstances apply to the European market. Like the U.S., which has been restricting direct Japanese imports to 1.8m a year—they have a 22 per cent market share—the main European markets are hedged round with restrictions.

The UK has a "gentlemen's agreement" under which the Japanese have 11 per cent of the market. France imposes a ceiling of 3 per cent.

The Benelux countries got together in 1981 with the aim of restricting the Japanese to 10 per cent. In the case where no formal agreement was reached, but imports are monitored very closely.

Italy, under a unilateral restriction which predates the Treaty of Rome, allows in just 20,000.

West Germany, Honda's largest market, has an informal understanding with the Japanese that they will not exceed 10 per cent.

Where restrictions do not exist, such as Finland, the Japanese market share has risen as high as 40 per cent.

If Honda wants seriously to build up its sales in Europe, which ranks in importance with the U.S. at over 10m units a year, it too must launch into manufacturing, or at the minimum assemble cars with a "local" European content of at least 60 per cent.

To do so would give it unrestricted access to the EEC market. Under EEC rules, a car is defined as being "European" if the location of assembly is within the EEC.

It has already fought, and lost, one pre-protocol setting battle in this case when it sought to exclude from its market the Triumph Acclaim, which HL assembled under licence from Honda.

In addition, however, Honda would have to satisfy the UK Department of Trade and Industry that its cars have significant local content if the plan to build cars at Swindon is to succeed.

Since it plans to install an engine manufacturing plant first, it appears to provide ample evidence that this is Honda's intent.

U.S., Japan set to implement tariff pact

By Louise Kehoe in San Francisco

The U.S. and Japan will implement an agreement effectively to eliminate import tariffs on semiconductor products on March 1.

The agreement is scheduled to be formalised today with an exchange of letters between U.S. Trade Representative, Mr William Brock, and the Japanese Minister of Foreign Affairs Mr Shintaro Abe, in Tokyo.

The formal agreement comes 15 months after the two countries' trade negotiators reached an accord.

In addition, however, Honda would have to satisfy the UK Department of Trade and Industry that its cars have significant local content if the plan to build cars at Swindon is to succeed.

Such a move has long been sought by the U.S. semiconductor industry as a step toward removing barriers to free trade between the two largest producing countries.

U.S. industry executives welcomed the tariff elimination as the "first step in moving closer to a level playing field." The U.S. industry wanted free trade, said Mr Garry Arnold, executive vice-president of National Semiconductor.

He acknowledged, however, that despite Government and industry efforts to persuade the Japanese to open their markets to U.S. suppliers, Japan remained very difficult to penetrate.

While the elimination of import tariffs is designed to stimulate trade, its impact will be largely symbolic, according to U.S. semiconductor industry representatives.

The U.S. has also proposed to the U.S. that the agreement mutually to abolish tariffs on semiconductors might be duplicated on other micro-electronic sectors.

UK groups hope for computer orders from Soviet Union

BY JASON CRISP IN LONDON AND LOUISE KEOHE IN SAN FRANCISCO

SEVERAL UK companies have expressed interest in selling personal computers to the Soviet Union, which is believed to be interested in placing a large order for use in schools.

Moscow trade representatives have approached IBM and Apple, the two largest U.S. makers of personal computers following the recent relaxation of U.S. export regulations restricting such sales to the Eastern bloc.

Quest Automation, which has strong links with the Eastern bloc and is a distributor of Applied Computer Techniques' Apricot range in the UK, has had discussions about selling it in the Soviet Union, and Acorn, Britain's troubled home computer group, has already won a small order from the Soviet Union.

ICL, Britain's leading mainframe computer company, has had tentative discussions with the Russians about selling its personal computer and possibly building a manufacturing plant there. ICL is thought to have been just one of many Western computer groups approached by the Soviets.

A spokesman for IBM said at the weekend that company officials had been approached by Soviet trade officials through "normal channels." No orders had yet been received, and a spokesman said that reports of a Soviet plan to order up to 10,000 personal computers might be misleading.

Apple Computer executives are very interested in the potential market in the Soviet Union. Mr Alben Eisenstat, Apple's vice-president of sales, said: "It is a great opportunity for us, in a marketplace that has gone begging up to now because of the rules that were in place."

Apple, which dominates the U.S. education market for personal computers, has 24 countries.

British clothes makers attack cuts in funds

BY ANTHONY MORETON, TEXTILES CORRESPONDENT, IN LONDON

A STRONG attack on government plans to reduce the money available to the British Overseas Trade Board has been made by Mr Norman Sussman, chairman of the British Clothing Industry Association.

He has told Mr Norman Tebbit, the UK Secretary for Trade and Industry, that "money allocated to the board is not public spending, it is public investment."

To meet a shortfall in its budget, the board is proposing to charge a fee for certain services. It is also proposing to phase out aid to companies after their second overseas visit.

The board has told companies that it does not make sense to provide a continuing subsidy to export promotion. Although basic information and advice will continue to be provided, companies will be expected to pay for specific services. That will ensure value for money from the reduced budget, the board has suggested.

The Government is seeking to reduce the board's budget as part of its general attempt to lower public spending.

Present indications are that the board's current budget of £27.5m

French win Brazil Air Force order

By Andrew Whidbey in Rio de Janeiro

THE BRAZILIAN Air Force has awarded a contract worth about \$100m (£91m) to Aerospatiale, the French state-owned aircraft and aerospace company, for the purchase of 15 Super Fuma helicopters, apparently ending the hard-fought battle with Sikorsky of the U.S.

The helicopters are being bought in the face of thinly disguised discontent among Brazilian Air Force officers over the choice and over the timing of the order in the last weeks of the outgoing Figureira Government.

Contracts were signed on January 26, but news of the controversial sale has only just been disclosed.

At the end of last week, representatives of Sikorsky complained about the way in which the negotiations—handled directly between the Planning Ministry and a consortium of French banks—had been conducted.

"We only want one thing: The right to compete on equal terms," said Roberto de Souza Dantas, general manager of Powerpack, Sikorsky's local agent, said.

France is known to have offered Brazil a highly attractive parallel credit, estimated at up to \$200m depending on the size of the purchases made, to be put at the disposal of the Air Force and Navy.

Negotiations to sell another package of helicopters to the navy, are also likely to be concluded shortly. This would involve ten Super Fumas and 15 smaller Egaquel helicopters.

Ann Charters adds from São Paulo: "Volkswagen do Brasil has won a \$26m order for 1,000 trucks from China, the first time the Brazilian motor industry has gained a foothold in this potentially large market."

Volkswagen estimates that the Chinese market could absorb up to 15,000 trucks annually over the next two years. Negotiations are also under way for the sale of passenger cars.

This contract, together with others already concluded with Iraq and Nigeria, raises Volkswagen's exports of motor vehicles to a projected 500,000 a year.

Sofia talks likely to boost trade week

Talks today in Sofia by Sir Geoffrey Howe, the British Foreign Secretary, and President Todor Zhivkov of Bulgaria are likely to give a political boost to the British "trade week" which also opens in the Bulgarian capital today, David Buchanan writes.

Some 30 U.K. companies are taking part in the trade promotion drive, jointly organised by the London and Bulgarian chambers of commerce.

Asean meeting ends

Economic ministers of the six Asean countries ended their annual meeting in Kuala Lumpur, with agreement on several measures to promote trade and co-operation, Wong Sulong reports.

The ministers approved a 25 per cent across-the-board tariff cut for 18,000 items under the Asean preferential tariff scheme. The previous tariff cut ranged from 20 to 25 per cent.

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NOTICE TO SHAREHOLDERS
With reference to the notices they published on January 15, 1985 in this paper, the Board of Directors of Diamond Capital Limited, at its extraordinary general meeting, held on February 14, 1985 at 11 am at the Grand Hotel, The Esplanade, St. Heller, Jersey, Channel Islands.

SHIPPING REPORT

Markets stay depressed

BY CARLA RAPORT

WORLD shipping markets remained depressed last week, despite a small flurry of activity with grain charters from the US.

Freight rates in the dry cargo market have weakened to the point that many owners are barely able to cover their operating costs. Time charter rates for even the most fuel-efficient ships have tumbled to around \$4,500 a day for round-trip voyages from around \$6,500 a day just two months ago.

It is difficult to foresee any immediate event that is going to

move this market out of its present slough of despond. Mr Tim Brown of Denholm Costes, the London shipbrokers, said.

The week closed with freight rates largely unchanged in the large-sized dry cargo vessels, with North Pacific to Japan grain trades at \$60 per ton per day, and U.S. Gulf to Europe at just over \$9 per day. The Baltic Freight Index closed at 969, down from 971.5 last week.

Tanker markets showed more life with the National Iranian Tanker Company active behind the scenes in the VLCC sector.

Present indications are that the board's current budget of £27.5m

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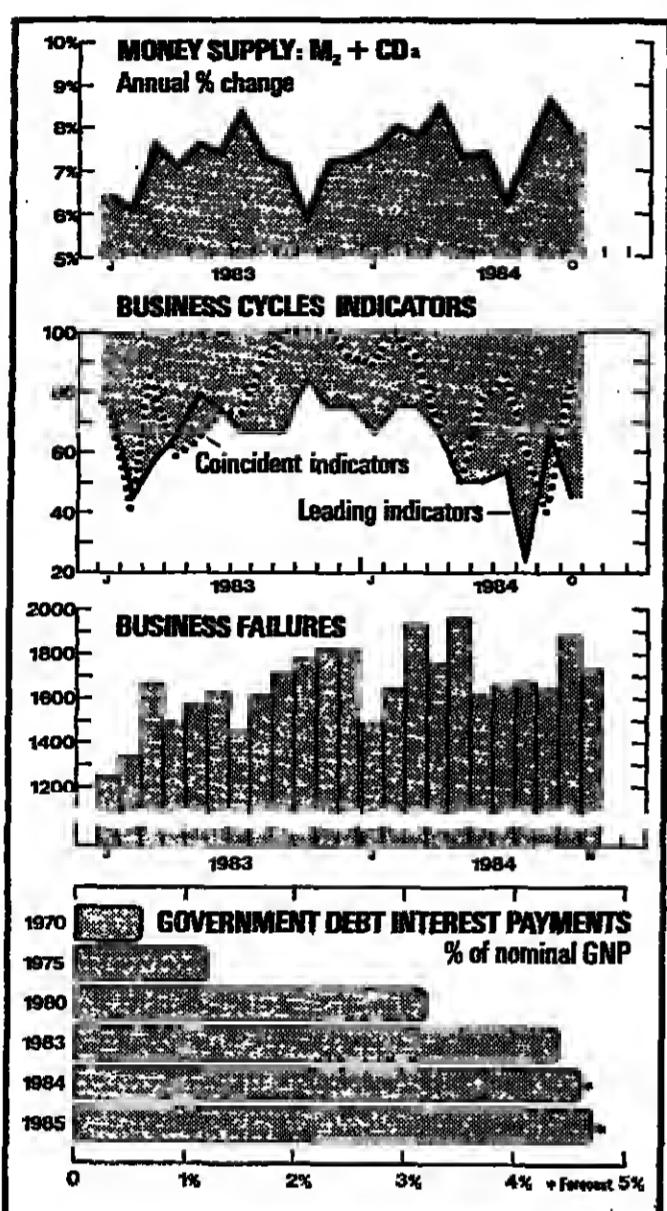
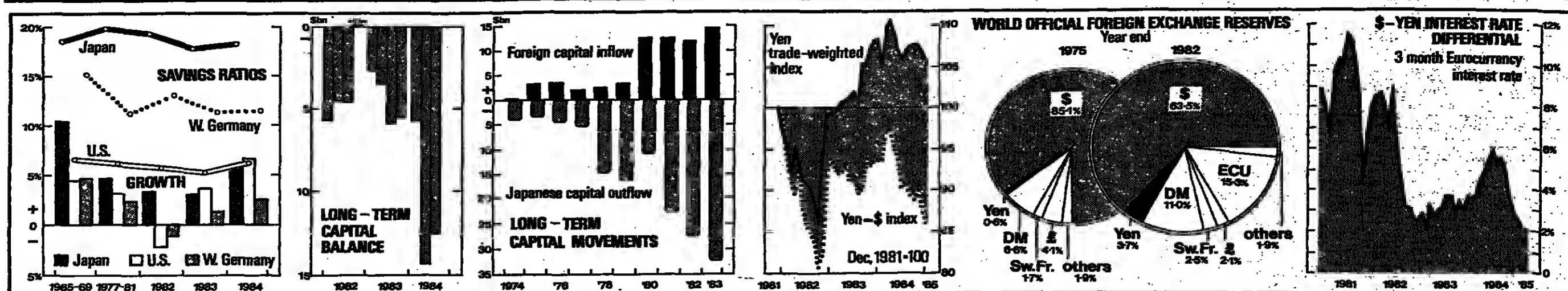
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STATISTICAL TRENDS: JAPAN



Surge in exports fuels growth of economy

LAST year, Japan's economy, measured by real Gross National Product (GNP), grew faster than expected at between 5 and 6 per cent. The major contribution to this growth was the surge in exports, in turn due to the expansion of the U.S. economy.

The contrast with the U.S. recovery is marked: there private consumption and capital investment were the strongest growth factors in 1984. Capital spending in Japan is quite strong at present, but consumer spending has remained fairly weak. The export-led boom appears to have fed through slowly to domestic demand, while bankruptcies have continued at a high rate. The savings ratio – the ratio of savings to personal disposable income – has remained stable.

Growth is expected to slacken slightly this year, with the contribution to growth from exports predicted to drop quite sharply in the wake of the slowdown in the U.S. market. Private consumption and investment are expected to take over from exports in sustaining growth.

Comparisons between the savings ratio in Japan, West Germany and the U.S. illustrate the well-known Japanese propensity to save. Part of this is due to the low provision of social security and pension, but inflation which is likely to change radically given the Government's attempt to cut its deficit. Debt is now seen as a major burden on the Government, with debt interest payments estimated as the largest single item of expenditure in the current budget.

The high savings ratio is also a factor in the relative

weakness of the Yen. Large pools of savings are available which have not recently had attractive outlets inside Japan, either for capital investment or in the financial markets. Since the relaxation of foreign exchange and external investment laws in 1980, these funds have had outlets abroad.

The cautious move towards further deregulation of Japan's

financial markets, agreed in 1984, is intended to create more attractive yen-assets, and to "internationalise" the yen. As the data illustrates, the role of the yen in trade and finance does not reflect Japan's position as the world's second largest economy. The yen's share of world foreign exchange reserves is considerably smaller than the D-mark's.

The commodity breakdown of trade between the U.S., EEC and Japan shows some disturbing trends, for Europe and the U.S. The relationship between exports and imports of electronic, micro-processing and other machinery has turned in Japan's favour, quite sharply in the case of the European market. Japan's exports to the U.S. and EEC are

concentrated in high value goods, while the U.S. and EEC export chemicals, basic materials and foodstuffs.

The data on civilian employment trends show the long run decline in numbers of unpaid family workers, especially in agriculture and the increasing importance of wage labour, particularly for women.

JAPANESE TRADE WITH EEC			JAPANESE TRADE WITH U.S.			REAL COMPENSATION			CORPORATE ASSETS			YEN'S WORLD ROLE %				
% share in total EEC exports to imports from Japan	% share in total EEC exports to imports from Japan	% share in total U.S. exports to imports from U.S.	% share in total U.S. exports to imports from U.S.	% share in total U.S. exports to imports from U.S.	% share in total U.S. exports to imports from U.S.	per employee, total economy	Annual % change	per employee, total economy	Annual % change	per employee, total economy	Annual % change	per employee, total economy	Annual % change	per employee, total economy	Annual % change	
Agricultural, food & beverages	12.5	1.5	Agricultural & food products	0.8	3.2	Japan	1970-74	U.S.	1970-74	EEC	1970-74	1975-79	1980-83	Japan	1976	1983
Animal, wood & furniture	8.7	2.9	Fuels, oils & metals	13.7	22.3	Deposits	81.2	40.8	81.1	Exports	77.5	34.5	Imports	0.3	3.0	
Chemical products	25.0	8.1	Leather, wood & furniture	0.4	1.9	Debt	—	—	—	Foreign currency	—	16.6	Equity	0.7	8.3	
Textiles & clothing	8.2	2.0	Textiles & clothing	0.4	2.6	Other securities	28.9	22.6	26.6	Yen	61.0	57.0	DM	12.0	8.6	
Rubber & plastic products	1.6	1.0	Chemical products	2.3	11.1	Other securities	9.3	30.2	12.4	DM	11.0	—	ECU	15.0	—	
Paper & printing products	1.3	0.5	Rubber & plastic products	0.6	1.4	Total	100.0	100.0	100.0	Others	1.9	—	Sw.Fr.	2.5	1.9	
Agricultural & industrial machinery	5.8	4.4	Paper & printing products	0.4	3.0	Estimate	2.1	1.3	1.6	Yen	0.5	1.7	Yen	0.5	1.7	
Transport equipment	5.6	7.8	Other manufacturing products	3.0	2.1	Source: Eurostat	2.8	2.7	34.8	DM	11.2	—	DM	11.2	—	
Automobiles	7.0	9.4	Agricultural & industrial machinery	0.2	8.6	Source: Morgen Gauranty	—	—	—	Yen	—	—	Yen	—	—	
Office & data processing machines	5.7	17.9	Transport equipment (excl. motor vehicles)	0.2	8.6	—	—	—	—	DM	11.2	—	DM	11.2	—	
Electrical goods	5.8	29.8	Motor vehicles	0.5	2.3	—	—	—	—	Yen	—	—	Yen	—	—	
Stabilised	1.7	0.2	Office & data processing machines	3.3	16.0	—	—	—	—	DM	11.2	—	DM	11.2	—	
adjustment	1.7	0.2	Electrical goods	19.5	5.9	—	—	—	—	Yen	—	—	Yen	—	—	
Total	100.0	100.0	Electrical goods	19.5	5.9	—	—	—	—	DM	11.2	—	DM	11.2	—	

CONTRIBUTIONS TO CHANGES IN REAL GNP				
(in % of real GNP in previous period)				
Private consumption	1983	1984	1985	I II III IV
Public expenditure	1.8	1.4	2.1	2.2 2.4 2.2 2
Private residential construction	0.2	0.4	0	0 3 5 6
Other private investment	-0.2	0	0	0 0 0 0
Trade	0.3	1.4	1.8	1.2 1.2 1.2 1.2
Exports	1.0	3.1	2	3.7 2.4 2 2
Imports	0.8	-1.1	-2	-1.1 -1.1 -1.1 -1.1
GNP	3.9	5.5	0	6.3 5.1 5.1 5.1

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Company Notices

American Petroleum Production N.V.

Notice to Shareholders

American Petroleum Production N.V. announces that on 31st January, 1985 it arranged a loan facility in the amount of \$12,300,000 repayable over a 4 year term. Part of the proceeds of this facility together with other available funds have enabled the directors of the company to declare a capital distribution of \$300 per share payable on 15th February, 1985.

Payments on registered shares will be made in dollars to or to the order of the holders of record on 1st February, 1985. Payment on bearer shares will be made in dollars by check or by transfer to account in the name of the payee with a bank in New York City against presentation of Coupon No. 10 at the offices of J. Henry Schroder Wag & Co. Limited, 120 Cheapside, London EC2V 6DS or J. Henry Schroder Bank and Trust Company, 1 State Street, New York 10015 or Banque Generale du Luxembourg S.A., 14 Rue Aldringen, Luxembourg.

American Petroleum Production N.V.

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UK NEWS

Cambridge area created '4,100 high-tech jobs'

BY PETER MARSH

BRITAIN'S high-technology boom area around Cambridge has generated 4,100 new jobs in five years in mainly small, science-based companies, according to a report on the region published today.

Ninety per cent of these new jobs were created in enterprises less than 10 years old, says the study, by Segal Quince and Partners, a Cambridge company of planning consultants.

Over the past decade, the Cambridge area has produced new companies in disciplines such as computers, electronics, instruments and biotechnology at an average rate of three every two months.

In recent years, the trend has accelerated — 32 new high-technology companies were formed in 1983, with the figure for 1984 slightly lower.

The study is a detailed investigation of 261 technology-based enterprises in Cambridge and its immediate surroundings. The report's authors believe this represents 85 per cent of all such companies in the area.

Many of the companies have connections either with Cambridge University or were started by people leaving high-technology enterprises already established in the region.

The 261 organisations, of which 60 per cent were formed in the past six years, employ 13,700 people out of a total workforce in the Cambridge area of about 100,000. Total annual turnover of the companies came to £280m in 1984.

The report shows that the 128 companies established since 1979 produced 2,830 new jobs, roughly

one sixth of the total. Enterprises started over the past decade account for just over a quarter of all high-technology jobs.

The report will be seized upon as evidence of the power of new technologies and "spin off" from academic institutions to create jobs. Segal Quince says that the science and technology departments of Cambridge University have played a key role to aiding growth of the new companies.

The report traces the distinctive genealogy of the Cambridge high-technology companies, the best known of which include Sinclair Research, Acorn Computer, Cambridge Consultants and CIS (which sells computers software).

Many of the enterprises formed since the mid-1970s are related through a family-tree structure

Management institute advises against job-sharing schemes

BY JASON CRISP

ONE in five British workers is part-time, which is a higher proportion than almost any other country, according to a survey published today by the British Institute of Management.

In spite of the very high level of part-time working, the BIM strongly advises against job-sharing schemes. It says these are uneconomic for the employer and do not provide a sufficient wage for the employee to live on.

The number of part-time workers in the UK has doubled in the last 20 years to 4.5m, according to the study. Two out of three part-timers are women, and over 30 per cent of the men have retired from full-time work.

The BIM expects the number of part-time workers to grow, and wants the Government to introduce more flexible policies for tax and benefits.

The institute believes that part-time working should be a standard part of company employment policy. It notes "Advantages to the employer of part-time workers are flexibility and low costs while giving employees an opportunity to supplement household incomes and maintain social contacts which dovetail with family commitments."

Other advantages, according to the report, include the ability to cover peak demands and holidays, minimising disruption caused by split shifts and unsocial hours,

source of recruitment for full-time positions, introducing school leavers to working life and establishing a pool of trained employees for future promotion.

Although the institute favours the flexibility provided by part-time workers, it strongly opposes job-sharing.

"Job-splitting adds to the employer's costs of recruitment, payroll administration and training without any corresponding benefit."

Managing New Patterns of Work, published by the BIM, costs £6.50 inc p&p for non-members and £5 to members. Copies from Management House, Nottingham Road, Corby, Northants, UK.

Sharp rise in company failures

COMPANY failures rose sharply in January, and a moving average of a year's monthly figures edged up to equal the previous record, according to Trade Indemnity.

Failures notified by its policy-holders rose 13.4 per cent from January 1984 to 313. The sharpest increase was in textiles and clothing companies, 38 of which failed against 21 a year before.

The building and construction sector, food and agriculture, and retail and wholesale distribution also saw big increases, although Trade Indemnity cautioned that monthly figures can be volatile for individual trades.

More reliable evidence, it said, was provided by a newly-introduced moving average of the previous 12 months' totals, which rose to 330 in January. This equalled the record set in June 1983, after which it dipped to a low of 315 in April 1984. Over the whole of 1984, the monthly average was 327.

Over the latest 12 months, failures among building and construction companies have increased. By region, failures have been rising in East Anglia, the North of England, the South West and the West Midlands.

■ SERVICE charges paid by office tenants rose on average by 25 per cent more than the prevailing inflation rate between 1979 and 1983, according to a survey carried out by Jones Lang Wootton, the chartered surveyors and estate agents. Biggest cost components were energy, wages and cleaning, and highest cost increases involved repairs and maintenance, security and wages, which all rose by 90 per cent.

■ SIR Nicholas Henderson, former British ambassador to Paris and Washington, has been appointed chairman of the Channel Tunnel Group. Sir Nicholas, 65, is a director of Tarsus, one of the consortium members, which also includes Balfour Beatty, Costain UK, Taylor Woodrow and George Wimpey. The group proposes a two-way rail link, with cars transported by train.

■ THE LONDON Stock Exchange is investigating dealings in Acorn Computers before its shares were suspended by the company last week. Shortly after the suspension, Acorn announced it had sacked its financial advisers, Lazard Frères, and that its stockbrokers, Cazenove, had resigned.

■ LIVINGSTON New Town Development Corporation in Scotland has decided to refuse planning permission for the Union Carbide chemicals company of the US to set up a teflon gas mixing plant, following angry reaction from local residents.

■ SMALL Systems Engineering, a north London company, has won type approval for a telephone exchange for small offices. The exchange is being made under subcontract by Thorn-Emerson and is one of the first newly-developed UK exchanges to get approval.

Financial Times Monday February 11 1985

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Current February 26-28
International Men's and Boys' Fleet News Motor Show (0733 621-705 6207) 63100 (until February 13) Olympia Wembley Conference Centre

February 26-28 Brighton International Catering Exhibition CATERBRIGHT (01-222 9341) PC Trade Show (01-837 3869) Barbican Centre

February 17-19 International Trade Show for Home Computers, Software and Electronics - LET (0222 272000) Olympia Wembley Conference Centre

February 19-21 Refrigeration and Air Conditioning Daily Mail Ideal Home Exhibition (01-888 7788) Earls Court

February 25-26 International Food and Drink Exhibition (01-498 1851) Olympia March 5-6 International Powder and Bulk Solids Exhibition - POWTECH (01-572 2121) NEC, Birmingham

March 5-6 International Motor Show (01-496 1851) Toy, Gift & Satinery Spring Show (01-839 5901) Taipei

March 5-6 International Exhibition of Women's Ready-Made Clothing Pret-a-Porter (01-496 3864) (until February 15) Olympia Patisserie Show (01-333 8807) Zurich

February 26-28 International Holiday Fair and Exhibition FESTIVAL INTERNATIONAL (01-831 2806) Vienna

February 23-27 International Spring Fair (01-734 0543) Frankfurt March 14 International Publications Festival LITERASIA (01-236 2309) Hong Kong

March 22-27 International Travel Exhibition (021-705 6707) Budapest

BUSINESS CONFERENCES

February 12 Brazilian Chamber of Commerce: New opportunities for industry, science and natural resources (01-0186) Hilton Hotel, W1

February 13 The Henley Centre for Forecasting: Foreign exchange rates - FX Analyses, forecasts and world business prospects (01-353 9961) Great Eastern Hotel, EC2

February 14-15 James Murrell Associates: Business forecast - tax reform and unemployment (01-236 6950) Bowater Conference Centre

February 15-19 Open Computer Security: The International Data Security Conference (0273 672191) Dorchester Hotel, W1

March 5 The Industrial Society: Use your share options (01-839 4300) 3 Carlton House Terrace, SW1

March 8 Longman Seminars: Oil and gas law - the joint operating agreement (01-242 2548) Cavendish Conference Centre, W1

February 28 James Murrell Associates: Business forecast - tax reform and unemployment (01-236 6950) Bowater Conference Centre

March 1 Longman Seminars: The protection racket - business tenancies (01-242 2548) Cavendish Conference Centre, W1

March 5 The Industrial Society: Use your share options (01-839 4300) 3 Carlton House Terrace, SW1

March 8 Longman Seminars: Oil and gas law - the joint operating agreement (01-242 2548) Cavendish Conference Centre, W1

February 28-29 Intercontinental Hotel, W1

March 11-12 Euromoney International Financial Law Conference (01-236 3288) Intercontinental Hotel, W1

March 17-19 Metal Bulletin's Fourth International Iron Ore Symposium (01-633 0525) Sheraton Hotel, Rome

March 20-22 Seatriade Conferences: Money and Ships in the City 85 (01-623 71300) African Centre

Financial Times Conferences

The FT Euromarkets in 1985 Conference

The most significant FT Euromarkets conference for many years is to be held in London on April 1 and 2, 1985, under the chairmanship of Mr Parker Gilbert and Mr Stanislas Yassukovich.

Washington's ad hoc agreement with Tokyo and the remarkable growth potential for the yen, the global equity market and change in London with particular reference to the increasing role in the City of some of the most major Euromarkets players, form the background to this year's conference at the Inter-Continental Hotel.

The speakers are of a level appropriate to the occasion. They are: Mr David Muirford, Assistant Secretary for International Affairs at the US Department of the Treasury; Mr Sven Wallgren, president and chief executive officer of Esselte AB; Dr Benito Raul Losada, president of the Banco Central de Venezuela; Dr Michael von Clemm, chairman of Credit Suisse First Boston; Mr Robert Mnuchin, partner and management committee member responsible for equity trading at Goldman, Sachs; Mr Geoffrey Bell; Mr David Hale, chief economist and first vice-president of Kemper Financial Services; Mr Andrew Large, chief executive and deputy chairman, Swiss Bank Corporation International and Mr John Forsyth, director of international capital markets at Morgan Grenfell. In addition to HE Mr Moriyuki Motono, who was Japanese Vice-Minister for Foreign Affairs and a Summit Sherpa before taking on his ambassadorship in Paris, the FT also hopes to have a paper by Vice-Minister Oba, who is trying to fit the conference into his diary.

For further details contact:

The Financial Times
Conference Organisation
Minster House, Arthur Street
London EC4R 9AX
Telephone: 01-621 1355
Telex: LONDON 27347 FTCONF G

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LOOK TO NORWAY

The 6 episode mystery drama «Maelstrom» created by Michael J. Bird - showing on BBC 1, started on Tuesday, February 5th. This series was produced last summer in Ålesund, in the region of Sunnmøre. As you will know - Norway is more than oil. Especially at Sunnmøre where you will find a well developed, innovative region of the country, with trade and industry renowned for its versatility and pioneer spirit. And what a beautiful setting!



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1985 ARAB WORLD MINERAL RESOURCES CONFERENCE KHARTOUM FEBRUARY 17-22, 1985

The fifth conference for Mineral Resources in the Arab World will be hosted this year by the Sudanese Government in Khartoum, between 17th and 22nd February 1985. Its theme will be:

"Previous and Strategic Minerals in the Arab World".

Some 250 participants from the Arab Nations and from international mining companies are expected to attend the conference which is organised by the Arab Organisation for Mineral Resources.

Delegates from the Arab countries will be headed by the Ministers concerned with mineral development.

Recent advances in the exploration and development of gold and massive sulphide deposits in Sudan make this venue a particularly appropriate choice.

For full conference details, please contact: Abdalla Hassan Ismail, Director General, Geological and Mineral Resources Department, Ministry of Energy and Mining, P.O. Box 410, Khartoum. Telex No. 22168/CAK/NU1.

NOTICE OF REDEMPTION To the Holders of

Government of New Zealand

Twenty Year 6 1/2% Bonds due March 15, 1986

NOTICE IS HEREBY GIVEN that pursuant to the provisions of the Bonds of the above-described issue, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has drawn by lot for redemption on March 15, 1985 at 100% of the principal amount thereof through operation of the Sinking Fund, \$787,000 principal amount of said Twenty Year 6 1/2% Bonds due March 15, 1986 bearing the following distinctive numbers:

BONDS OF U.S. \$1,000 EACH

M-	1671	1932	3773	4671	5280	6771	7903	8286	12176	14732	15296	15404	15515	15606
316	2672	2085	2707	4672	5281	6772	7904	8287	12177	14733	15297	15410	15516	15605
876	1673	2086	2708	4673	5282	6773	7905	8288	12178	14734	15298	15411	15517	15607
876	1676	2087	2709	4676	5283	6776	7906	8289	12179	14735	15299	15412	15518	15608
878	1738	2108	4012	4678	5285	6778	7908	8290	10100	12282	13718	15416	15520	15609
1033	1739	2109	4013	4679	5286	6779	7909	8291	10101	12283	13719	15417	15521	15610
1033	1773	2154	4032	4683	5681	6863	10284	13810	14568	15333	15418	15421	15523	15609
1033	1773	2154	4032	4683	5681	6863	10284	13810	14568	15333	15418	15421	15523	15609
1038	1783	2432	4033	4687	5685	6865	10285	13811	14569	15334	15419	15422	15524	15610
1048	1800	2474	4138	4797	5723	6869	10286	13812	14570	15335	15420	15423	15525	15611
1063	1828	2776	4140	4853	5768	6906	10287	13813	14571	15336	15421	15424	15526	15612
1071	1812	2795	4200	4946	5778	7332	8549	10765	14249	15196	15334	15425	15527	15613
1072	1815	2833	4203	4973	5781	7353	8601	10766	14250	15197	15335	15426	15528	15614
1122	1833	2963	4212	4976	5782	7353	8602	10767	14251	15198	15336	15427	15529	15615
1123	1833	2963	4212	4976	5782	7353	8602	10768	14252	15199	15337	15428	15530	15616
1123	1838	3124	4253	4978	5783	7354	8603	10769	14253	15200	15338	15429	15531	15617
1126	1853	3297	4296	5058	5905	7787	8612	11063	14472	15233	15374	15437	15535	15623
1126	1853	3297	4296	5058	5905	7787	8612	11063	14472	15233	15374	15437	15535	15623
1343	1854	3402	4355	5096	6038	7819	8613	11064	14473	15235	15375	15438	15536	15624
1435	1858	3486	4399	5185	6205	7808	8619	11200	14479	15238	15380	15445	15539	15625
1465	1869	3561	4809	5197	6212	7812	9000	11203	14591	15243	15382	15447	15542	15626
1640	1887	3648	4816	5238	6256	7850	9231	11242	14594	15246	15385	15449	15544	15627
1658	1887	3648	4816	5238	6256	7850	9231	11242	14594	15246	15385	15449	15544	15628
1668	1887	3648	4816	5238	6256	7850	9231	11242	14594	15246	15385	15449	15544	15628
1668	1887	3648	4816	5238	6256	7850	9231	11242	14594	15246	15385	15449	15544	15628

FULLY REGISTERED BONDS WITHOUT COUPONS

Principal Amount to Be Paid	Principal Amount to be Paid in Redemption	Principal Amount to be Paid in Redemption	Principal Amount to be Paid in Redemption	Principal Amount to be Paid in Redemption
\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
10,000	10,000	10,000	10,000	10,000
10,000	10,000	10,000	10,000	10,000
10,000	10,000	10,000	10,000	10,000

On March 15, 1985, the Bonds or portions thereof, designated above will become due and payable to the principal amount of the United States of America as legal tender for the payment therein of public and private debts, and will be subject to an accurate accounting by the corporate and individual Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, New York 10013, or to the option of the holder or registered holder, in subject to any laws and regulations applicable thereto in the country of any of the following offices, at the offices of Morgan Guaranty Trust Company of New York in Antwerp, Brussels, Frankfurt, London or Paris, or at the office of Baring Brothers & Co. Limited in London. Payments at the office of any paying agent outside of the United States will be made by check drawn on, or transfer to a United States dollar account with a bank in the United Kingdom, City and State of New York. Any payment made by transfer to an account maintained by the paying agent in New York will be subject to reporting to the United States Internal Revenue Service (IRS) and to having a holding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8, certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9, certifying under penalties of perjury that the payee is not a taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on an executed IRS Form W-9 and fail to do so may also be subject to a penalty of \$50. Please therefore provide the appropriate certification when presenting your securities for payment.

Coupons surrendered for redemption should be handed all unmatured coupons upon maturity. Coupons due March 15, 1985 should be detached and collected in the usual manner.

Upon tender of a fully registered Bond for partial redemption, there will be issued a new coupon Bond or Bonds or fully registered Bond or Bonds for the unredeemed portion of such fully registered Bond surrendered.

From and after March 15, 1985 interest shall cease to accrue on the Bonds, or portions thereof, herein designated for redemption.

GOVERNMENT OF NEW ZEALAND

February 11, 1985

CONSTRUCTION CONTRACTS

Plastics factory on old steelworks site

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

Norwest Holst is to build the Dutch-owned Curver Consumer Products new factory in Corby on the site of the old basic oxygen steelmaking plant, the first factory built there since the steelworks closed.

The first phase of the £12m project is due to be completed early next year. It will manufacture plastic containers, houseware such as washing-up bowls, brushes.

Curver has been selling its products in bulk in the UK for the past three years, and the volume is now sufficient to justify local manufacture, explained managing director Mr Cees Aerts.

French Kier wins £31m orders

French Kier Construction has won contracts worth £31m during the past three months, of which the largest is on office development in central London for Samuel Properties Development.

Other work includes building a new wiffie House Hotel in Telford, an education centre at Homerton Hospital in London for the North East Thames Regional Health Authority, extensions to Spalding hospital in Lincolnshire for Trent Regional Health Authority, and alterations to H.M. Prison in Gloucester for the Home Office.

All the contracts were won in competitive tender.

life and windows. Refurbishment will entail a full internal reconstruction with a new mezzanine floor and a new shop floor, together with extensions to existing floors. Exterior work includes building new elevators to the extensions, double-glazed windows, and cleaning and repairing the stone frontage.

Conder builds

civic centres

Taylor Woodrow North Circular Road extension

Taylor Woodrow CONSTRUCTION has been awarded a contract by the Department of Transport to build the first phase of an extension to the A406 North Circular Road in London. The company will build a 1.86 miles stretch between the A406 and A11 roads of the South Woodford, which crosses the eastern side

TECHNOLOGY

EEV INVESTS £5M IN PRODUCTION OF SPECIAL SILICON CHIPS FOR SECURITY CAMERAS

Charge of the light sensors

BY ELAINE WILLIAMS

TINY silicon chips, which convert light into electric pulses, are becoming the focus of attention for electronics manufacturers.

EEV in Chelmsford will be the first British company to mass produce charged coupled devices. It is investing £5m in these components which are a key element in the manufacture of small, low power consumption cameras.

Charged coupled devices (CCDs) have a growing role in industry and the market for these components is now worth several hundred million pounds. CCD cameras are used for security surveillance and as part of robot vision systems. Smaller arrays are built into facsimile machines to convert words and pictures into an electric signal for transmission over the telephone network.

Optical character recognition systems are also based on CCDs. For example, Stora Combitech in Sweden uses small arrays for reading information on the side of pallets as they move along a production line.

In essence, charged coupled devices (CCDs) are simply sensors which convert light into a coded electric signal. Each device is made up of arrays of tiny cells called elements. One of EEV's planned products has more than 250,000 elements in an area no more than a half-inch square.

When light is focused onto the array each cell develops an electric charge proportional to the light intensity. This can be digitally coded to represent the original image and displayed on a computer or video screen.

As in a television system, the image is scanned many times a second to produce a changing picture. In the CCD, which will be made by EEV, there are thus two arrays, one to capture information during each scan

and a second to act as a temporary store for displaying the scene.

EEV will specialise in the production of solid state cameras for the surveillance, industrial and military fields, though there will be some applications in the medicine, astronomy, nuclear physics and space. This business alone will help increase sales from a projected £1m in 1985 to more than £12m in a five year period.

The move will take EEV, part of the GEC group, into the realms of semiconductor manufacture for the first time, said Mr Mike Mandl, the company's managing director. EEV's roots lie in the production of imaging tubes based on thermionic valves for television cameras.

However, electronic cameras are beginning to oust the vacuum tube because they allow lighter, more compact cameras to be built which consume far less energy.

The company has teamed up with Reliance, a security company within the GEC group, to develop systems for the surveillance market. Because CCD cameras are small and light, they can be better concealed around a building. Mr Mandl commented that they could be hidden in gargoyle in old offices, for example, without destroying the aesthetics of the building.

In the military field, EEV has developed cameras which combine its image intensifier technology for night vision with the CCD. This allows the image picked up by the night vision cameras to be viewed on a television screen for the first time. Normally, a soldier has to look directly through the viewer which can be very tiring for long periods.

CCDs were invented in 1969 at Bell Laboratories though



The team that will manufacture and sell charged coupled devices. From left to right: Mr P. Ruggles, divisional manager; Mr T. Sheppard, marketing director; Dr P. Bailey, CCD technical manager; Mr Vaughan Kitchin, assistant manager and Dr M. Geary, assistant technical manager. Behind them is the production facility due to be completed later this year.

the first production devices are claimed by another US company Fairchild, which is now part of Schlumberger, the international oil services group. Today several companies produce these devices including Thomson CSF in France, Sony and Hitachi in Japan.

Sony and Hitachi, unlike the array each cell develops an electric charge proportional to the light intensity. This can be digitally coded to represent the original image and displayed on a computer or video screen.

As in a television system, the image is scanned many times a second to produce a changing picture. In the CCD, which will be made by EEV, there are thus two arrays, one to capture information during each scan

more expensive type of CCD which precludes its use for that market.

According to EEV, a charged coupled device is one of the most complex silicon chips to make. There are 83 defined processing steps and each wafer needs nine separate masks to build up the intricate patterns of each array. Simpler chips would have typically only three or four mask stages.

For the past four years, EEV has worked closely with GEC's Hirst Research Centre at Wembley where most of the development work for CCDs has been carried out. EEV engineers were seconded to the centre to build up production experience at the prototype facility there.

Full production of CCD will begin in November at the Chelmsford site with 30 new staff. Mr Mandl said that the first year's production would satisfy the requirements of the group with outside sales beginning within a year.

In Britain, Marks and Spencer (which sells frozen fish) have pioneered developments in gas packing for meat and fish. The exact composition of the gas in the packs is normally kept under wraps to prevent commercial secrecy.

According to David Smith, a food technologist at PA Technology, a combination of different preservation techniques is often required to make modern foods acceptable to the average consumer.

The basic idea of preservation is to inhibit the activity of bacteria, either by killing them or reducing their effect (for example by starving the food stuff of air).

Conventional techniques include canning (in which the

FOOD PRESERVATION

Neat way to pack meat for transport

BY PETER MARSH

THE New Zealand Government may turn to a novel gas-packing technique to ensure preservation of chunks of lamb that are shipped around the world.

The Government, which is responsible for lamb exports, has held discussions with PA Technology, a British company, about putting the meat in packs surrounded by an atmosphere of carbon dioxide, oxygen and nitrogen.

Subsequently, not one but several methods are used. Take kippers. To preserve these manufacturers use "liquid smoke"—the condensed products of smoke in a solution that is brushed on to the fish.

The process gives a kipper that is lacking in the brown colour associated with traditional kippers, so the food maker has to add a dye. This, in turn, involves the addition of water which provides a breeding ground for bacteria and speeds up their action.

To reduce this effect, the manufacturer has to strew the fish of air, putting the fish in a vacuum pack.

A similar strategy applies with bacon. Food engineers inject brine into the material—salt preserves meat, as people have known for centuries.

Besides increasing the volume of the bacon joint by 20 per cent, the water has an unwelcome effect in activating bacteria. To combat this, the manufacturer has to introduce other preservation aids such as addition of nitrites.

Researchers at PA Technology are also examining how to preserve foods by beaming into them gamma radiation from a cobalt isotope. The technique has been used successfully in Canada for increasing the life of chicken carcasses that can be stored.

The PA engineers say the technique does not involve a health risk. But public concern over radiation makes it unlikely that the procedure will be acceptable in Britain for some time.

TERADYNE, the Boston-based automatic test equipment (ATE) company has developed a more powerful version of its A360 system for testing large-scale integrated semiconductor chips that have both analogue and digital elements on them.

The new system, the A370, has a basic price of \$9.25m and is aimed at the world's semiconductor companies. It provides up to 50 per cent greater throughput than the A360 (of which some 300 have been installed throughout the world) but at only a 20 per cent increase in cost.

Mixed signal chips are becoming more significant in the electronics industry in those sectors where conversion between analogue and digital signals is becoming commonplace. In telecommunications, for example, speech signals in telephone instruments are turned into digit streams for line transmission and the outputs of sensors in motor vehicles are digitised for computer processing.

According to Prime Data, a U.S. market research organization, world ATE shipments for mixed signal testers will grow in value by 42 per cent to reach \$286m in 1988.

FREQUENCY ANALYSIS

Tuning in to radio signals

BY GEOFFREY CHARLISH

ANALYSIS OF the frequency content of signals over the remarkably wide range of 100 Hz to 32GHz, with a high level of computer assistance and display convenience, is offered in a new spectrum analyser from Hewlett Packard, the HP 70000.

Military and other organisations, needing to analyse radio signals, communications, satellite operators and radio/radar transmitter manufacturers, are likely users. A typical price, for a system covering 50 KHz to 22 GHz, the model 71002A, is £34,500.

The system is modular so only those parts needed to suit the application and frequency range need be purchased. The equipment can be enhanced at a later date.

An indication of the way in which these instruments have changed over the years is that over 40 per cent of development costs of the HP 70000 have gone into computerised graphics

assistance to the user and into associated data communications.

For example, there is a column of seven "soft" buttons down each side of the display screen with functions that change automatically according to the needs of the job to hand.

The softkeys give the operator access to the extensive set of built-in measurement, signal processing and trace manipulation functions. These functions simplify spectrum analysis and also reduce the time needed to make measurements.

The user can also define a personal set of softkey functions by down-loading programs from another computer.

A spot cursor can be moved along the spectrum trace on the screen to allow amplitude and frequency measurements at any point—the numbers change automatically on an alphanumeric display at the side of the screen.

In addition a "windowing" function allows a number of aspects to be viewed simultaneously.

Gould - Innovation and Quality in Electronics

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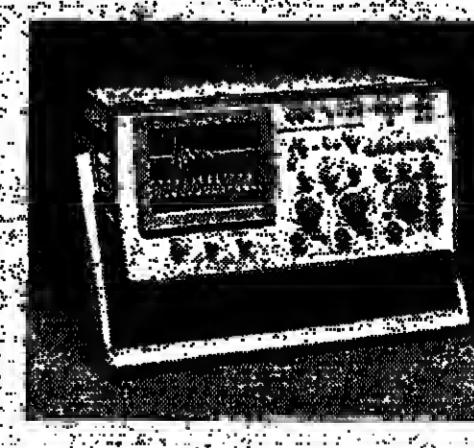
Computer Graphics User 85

15-17 February 1985
Barbican Exhibition Centre, London

When it comes to ensuring optimum quality and performance across a complete range of electronics applications, no-one offers a better range of logic analysers, digital and analogue recorders and digital storage oscilloscopes than Gould, like the 4031 pictured right—but this is just one of our activities in the electronics field.

In Europe, as in the rest of the world, Gould is concentrating its inter-related technologies and products in

six rapidly expanding electronics markets: computers, factory automation, test and measurement, medical electronics, defence electronics, electronic components and materials including semiconductors—if it's important to Europe, then it's crucial to Gould.



GOULD

Electronics

THE MANAGEMENT PAGE

The Fiatallis
marriage—
and divorceAlan Friedman reports on a
transatlantic misalliance

THE ANNOUNCEMENT last month that Volvo of Sweden and Clark Equipment of the U.S. are to merge their construction equipment operations means that despite a string of unhappy transatlantic marriages yet another attempt is being made to create an international competitor that can stand up to the two giants in the field, Caterpillar of the U.S. and Komatsu of Japan.

If the marriage of joint ventures in the sector is anything to go by, Volvo-Clark will need a healthy dose of both corporate chemistry and good luck. The world market for most of the main types of construction equipment, ranging from backhoe loaders to crawler tractors, has fallen by nearly 50 per cent since 1979. This drop is represented by a fall in the number of units sold from 120,000 in 1979 to 68,000 last year.

Meanwhile, last year saw the collapse of IBM Holdings, the West German group which took over General Motors' Terex in 1980. Massey Ferguson of Canada acquired Hanomag of West Germany and eventually sold it to the Milwaukee-based IBM. Case of the U.S. in 1977 bought 40 per cent of Poclain, the French hydraulic excavator manufacturer, but Poclain is finding the competition from Japan tough and has required a major capital injection.

Perhaps no joint venture in the construction equipment sector has been as ill-starred, however, as the 1974 marriage between Fiat of Italy and Allis-Chalmers of the U.S. After \$229.4m of losses since 1977, Fiatallis may finally be headed for break-even in 1984. But the company can no longer be considered a transatlantic link-up. It is now, according to Fiat, 98.22 per cent owned by the Turin-based motor giant, a situation which arises out of misunderstandings, failure to work together effectively and finally a bitter legal action

The differences between Fiat

and Allis-Chalmers

brought by Allis-Chalmers

which is shortly to be settled by

independent arbitration in

Switzerland.

The story of Fiatallis is an

unhappy case of the clash

of business cultures and managerial

philosophies and objectives. It

is true that the incredible

crisis which hit the construction

equipment sector in the

late 1970s and early 1980s was

an important factor, but as one

of the early Fiatallis chief

executives, Jacques Vandamme,

points out: "We don't speak

the same language."

The principal accusation

levelled against Fiat by Allis-

Chalmers is that the Italian

group used the venture for its

own ends. "It was a very rosy

marriage at first, but then as

the venture went on, different

philosophies began to emerge.

Fiat came to look at the joint

venture as an extension of Fiat

and it became apparent to us

back in 1979 that Fiatallis had

lost its joint venture characteris-

tics. Now we want a

divorce and we want alimony,"

explains Richard Fitzsimmons,

vice-president of the Milwaukee-based Allis-Chalmers.

The Fiat line, expressed by

Giovanni Germano, Fiatallis'

managing director, is a flat

denial that Fiat took advantage

of the joint venture. Germano

says that the decision in 1973

to pay Allis-Chalmers \$55m for

a 65 per cent stake in its con-

struction equipment business

was a good idea because

Fiatallis has become a group

with a full product line and

world-wide marketing."

Through Fiat's eyes the Fiat-

allis 65-35 joint venture

"allowed us to internationalise."

There is no justification in

Allis-Chalmers' claims, which

are for a payment of more than

\$100m from Fiat, Fiat says,

because it had to cover losses

and capital injections while its American partner re-

fused to contribute.

The differences between Fiat

and Allis-Chalmers

on the other



A Fiat hydraulic excavator (top) and an FR20 wheeled loader

and Allis-Chalmers can be hand-wanted out

to a fundamental misunderstanding of the aims of the venture. Both sides agree that at the outset there was goodwill, and in the words of Marco Pitaluga, a former Fiatallis managing director, "a

Fiatallis' success was built on the back of our investment in the venture and we wanted our investment back," recalls Fitzsimmons.

The logic of the venture was

that Fiat made small dozers

up to 200 horsepower and Allis-

Chalmers was involved in

bigger dozers, wheel loaders

and scrapers. Fiat had a weak

dealer network in the U.S. and

Allis had around 60 dealers. In

turn, Fiat was strong in Europe

and the Third World. The

product lines were complement-

ary and the marketing appeared to make sense.

But while Allis-Chalmers saw

the venture as a way of winding

down its more direct involve-

ment in the earth-moving

sector, Fiat felt its American

counterpart never took the

venture seriously.

The philosophies of the two

partners also differed. When

the world crisis hit the sector,

soon after Fiatallis was formed,

Fiat was prepared to ride it out

and invest more capital.

Allis-Chalmers asked Fiat to

buy out its participation. Fiat

declined. Germano explains:

"We didn't buy them out be-

cause we had no interest in

buying out a minority share-

holder. After all, we had control."

Fiat instead went ahead with its 1981 capital increase and declared that in its view Allis-Chalmers then had only 12.75 per cent of Fiatallis. The U.S. company contested this and said its stake was closer to 18 per cent.

The joint venture turned well

and truly sour in 1982 when

Allis-Chalmers, frustrated by

Fiat's refusal to buy it out or

liquidate, began a court action

in Illinois to liquidate Fiatallis

and appoint a receiver to share

out the company's assets. A

Federal judge ruled that the dis-

pute should be sent for arbitra-

tion to Switzerland, which is

where it now remains.

At the same time, with little

interest in the U.S. partner's

claims, Fiat went ahead with a

very sensible rationalisation pro-

gramme at Fiatallis.

In 1983 Fiat transferred

grader and wheel loader activi-

ties from the Sao Paulo, Brazil,

plant to Belo Horizonte. Last

year its plant at Lecco, Southern

Italy, began a modernisa-

tion programme and Fiatallis

production was concentrated at

three main factories: Lecco for

Europe, Springfield, Illinois, for

the U.S. and Belo Horizonte for

Latin America. This year three

small factories in Northern Italy

will be closed and the primary

product—backhoe loaders—will

be built at a new 50,000-square-

metre plant near Turin, the

hub of the Fiat empire.

Of the 6,339 employees in

Fiatallis at year-end, only

around 5,300 are actually at

work. In the states \$20 are being

laid off and in Italy a further

400 are also redundant.

At present, Fiat sees satis-

fied with its investments. Late

last December it injected \$105m

into Fiatallis, which is now for

all intents and purposes a Fiat

subsidiary controlled via a

Swiss holding company which

in turn owns shares through a

Dutch "shell" company.

Last year Fiatallis' turnover

was \$811m and a recovery in

the U.S. market provided a

15.8m operating group profit.

The U.S. sales were up 50 per

cent in 1984, but the U.S. repre-

sents only a fifth of Fiatallis'

turnover. Sales in Brazil, which

accounts for a tenth of turnover,

were also up, and Fiatallis

made a net profit of \$3.5m there.

Elsewhere the picture remains

bleak. Italian sales last year

were down 14.7 per cent, West

Germany down 33.8 per cent,

the Middle East down 33.3 per

cent, Africa down 28.3 per cent,

the Far East down 59 per cent.

Interest charges on Fiatallis'

debt (which was reduced by

\$239.9m in 1984) and overheads

have been reduced by closing

plants and shifting production

Fiatallis has made it through the

crisis and is still among the top five

construction equipment companies

in the world.

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Sales \$m	555.6	480.5	556.1	648.0	784.5	815.4	845.9	884.8	703.0	525.8	581.6
Net profit (loss) \$m</											

THE ARTS

Architecture

Colin Amery

Long live mock Greek, Ugh!

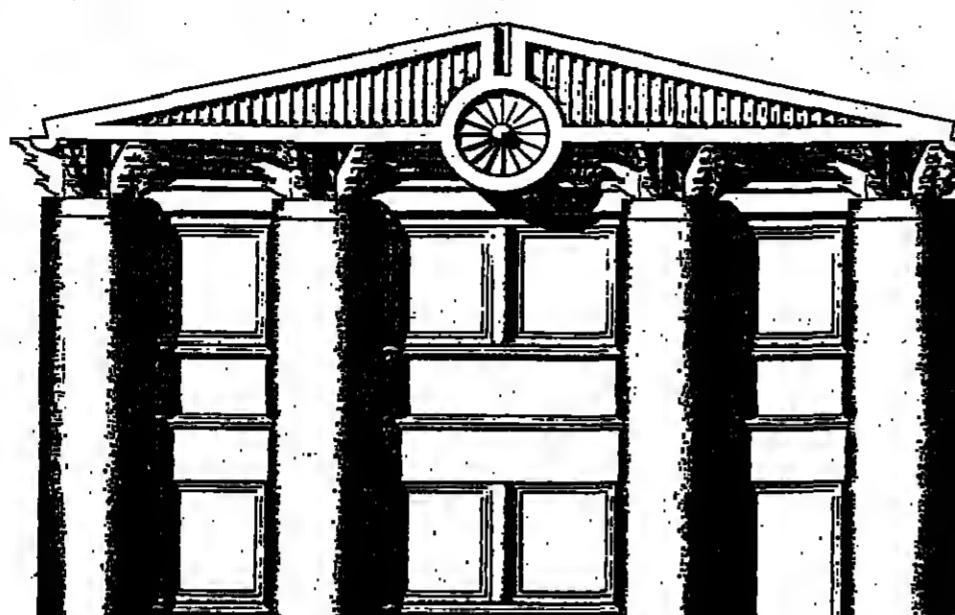
It can hardly have been a surprise to anyone that Mr Richard Rogers last week became the winner of the Royal Gold Medal for Architecture. He has been a consistent and prodigious proponent of the High-Tech school of design and his fellows in the Royal Institute who put his name before the Queen (lucky for them it wasn't the Prince of Wales) are all keen to see High-Tech canonised.

It would be churlish not to congratulate Mr Rogers on this honour: his career has been energetic and effective although often wrong-headed and somewhat out of date.

I have always felt that the school of architecture represented by Mr Rogers and those architects who sprang out of Archigram and the Architectural Association in the 1950s will be seen by future generations as a brief moment when architects fell in love with the romance of technology. Whenever you fall in love, originality goes out of the window and the High-Tech affair is no exception.

The kind of architecture Mr Rogers has produced—the Pompidou Centre and the nearly complete Lloyd's headquarters are the best known examples—has a kind of brief Star Wars excitement. You are amazed at all the equipment, staggered that you can see all the working parts but left without any frisson of excitement to the imagination or the memory. Dan Dare and the Mekon would enjoy all this built machinery but it offers a specious Utopia with little meaning.

In the late 1950s architectural students and young architects attempted to bring the production techniques and imagery of space technology to the world of buildings on the ground. I think the resulting style was



Classically triumphant new offices for Harp Heating at Swanley, Kent

known as "Bowellism"—an exposure of all the services. High-Tech would be more acceptable if it had really achieved its object of gearing up the building industry to produce components that could be as technologically efficient as aircraft parts and at the same time cost effective.

This has never happened. High-Tech is not cheap and the individual parts of buildings are usually expensive one-off elements. Lloyd's of London is a language. Like all languages it has roots in the ancient culture of man. Language depends in its poetic and social architecture. It is the representative functions of architecture that raise it to an art and these relate to the entire way we see the world.

The world is much more than the giant nuts and bolts of high technology.

It is a brave architect who deals with these problems in his work and at the same time produces a workable and efficient environment. I have just seen the almost complete, latest work of John Outram—an office building for the Harp Heating Company at Swanley in Kent, a brilliant transformation of the old technology into the "new" world of meaning.

This act of transfiguration is what used to be called a conversion but, of course, it is much more than that. Some modern flat-roofed, steel-frame offices were the subject of the attention of John Outram who has turned them into temples of the new architecture. After a fair amount of dismantling of the old existing buildings, the old steel frame and slate roof have been reborn in brick, the windows divided by large brick columns with capitals suggesting a crown of

flames (this is a company selling heating systems). On the old flat roof a shallow-pitched cobalt blue corrugated roof has arisen which forms a pediment at the gable end.

This is not a crypto-classical creation. It is an important and successful attempt to integrate both the mechanical and the poetic elements of a design. Certainly it prompts in the memory images of the great classical Greek temples. It is a colourful conception, the capitals are edged with red and backed by blue—not unlike authentic brightly coloured Greek sculpture.

The brickwork is handed in colour to suggest the base as a solid rock and the yellow London stock brick takes on the quality of stone.

These simple, strong, new classical buildings at Swanley are the forerunners of a release of creativity that will in time develop a language of decoration and symbolism that is potent with appropriate meaning and memory. Think of the acres of dreary "modern" architecture that could be intelligently enlivened in this way. I am not saying Mr Outram has found the panacea to our architectural illness but his approach is as valid and closer to our intellect than the gyrations of an abstract technology.

But both approaches are symptomatic of the confusion that exists in architecture and the public perception of the art. We may well as in future years why Lloyds chose the imagery of the oil rig for their London headquarters, and why should it be a leading company that should suggest the esthetic values of our Hellenic culture? I would like to see Mr Outram build in the city or start on the renewal of the ghastly heritage of the 1950s. His ideas are poetic and depend on an understanding of myth and metaphor, but they are also practical, inexpensive and they work—at all levels.

London Sinfonietta/St. John's

Andrew Clements

The third programme of the London Sinfonietta's series at St John's under the umbrella of "1955 and all that" brought two Sinfonietta commissions, a British first performance, and a recent work by Takemitsu. His *Rain Spell* belongs with his other pieces inspired by rain, including *Rain Tree* and *Rain Coming*, both of which have been heard previously in London. It is as exquisitely written and inconsequential as those; gentle lapping sounds for a flat-tuned harp, piano and wind instruments, never creating any genuine tension nor any sense of coherent shape.

Certainly all three new works made greater demands on the audience's attention. Sven-David Sandström appears to belong with composers such as Ferneyhough and Adams to what could be called the "metatranscendental" school, in which music is calculated to the limit and beyond of any performer's ability. Sandström's *Plute Concerto* was first performed in Stockholm by the Sinfonietta in 1981; it sets the soloist formidable problems of endurance as much as of sheer technique, but to relatively little effect: its 18 minutes pass all too slowly, filled only by the ebb and flow of flurries of seemingly approximate notes and some highly optimistic instrumental writing. Sebastian Bell was the valiant soloist; one

Huw Spratling/Wigmore Hall

Dominic Gill

There was nothing mysterious, but something only a shade ominously familiar, to Huw Spratling's claim: (or the claim perhaps made on his behalf) in our programme note on Friday evening that "contemporary classical music, unfortunately, frequently tends to deter or alienate potential audiences. The works of the 35-year-old British composer Huw Spratling meets this situation."

The concert was not only the first all-Spratling concert I had ever attended, but also my introduction to any part of the Spratling oeuvre; and since it is bound to be the first occasion for me to be writing about the structure, it mentioned six sections divided into three movements, but with the best will in the world it was hard to distinguish more than one division. Nevertheless, the tiny fairy-tale sketches implied by the title create some skilful textures as well as some robust, rough-edged instrumental gestures which will be good to hear again.

Nigel Osborne's *Zanza*, also a Sinfonietta commission, was in some respects a more familiar quantity, a hard-driven virtuoso study for the Sinfonietta players that belongs to a family of works that includes the vocal *Chorale I, II and III*. The title is British composer Huw Spratling's meets this situation.

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FOREIGN AFFAIRS

Wishful thinking on U.S. defence

By Ian Davidson

LAST WEEK'S State of the Union speech was, by common consent, a vintage Reagan performance, brimming with sentimental glorification of American greatness, and an almost lacrimose panegyric on an even greater and more heart-warming future. All that was lacking was a celestial choir and a Technicolor sunset.

Yet the issues of substance on which he briefly touched—notably the massive increase in the defence budget and the research programme into Star Wars anti-missile defence—left a sense of bafflement over the real degree of contact between emotional yearning and practical policy.

This gap between aspiration and reality is particularly sharp in the case of the budget. In terms of an opening wish list, Mr Caspar Weinberger, the Defence Secretary, has got virtually everything he could have asked for, with a defence budget request which, if adopted, would increase spending by 6 per cent in real terms to \$34bn. The trouble is that the request will not be adopted as it stands, nor anything like it because Congress won't stand for it, either out of alarm at the size of the overall budget deficit, to which increased defence spending is a major contributory factor, or because the gross disparity between runaway defence spending and cutbacks in domestic welfare programmes is bound to be politically unpopular ahead of the 1986 mid-term elections.

Now this is certainly one way of satisfying the Reagan Administration's long-established objective of modernising and expanding America's defence capability: ask for much more than you expect to get, and hope that Congress does not wield the axe too freely. Moreover, the long lead-times involved in big-ticket, high-technology weapons systems mean that it is not all that easy, and not necessarily cost-effective, to defeat the defence spending juggernaut once it gets under way...

On the other hand, a Father Christmas wish-list is not obviously the best way for the administration to indicate its priorities or, at the end of the day, to secure a force modernisation programme which has

coherent strategic shape. Which is more important: the B1 bomber (which may already be obsolescent, but not as obsolescent as the ageing B52s); the advanced Stealth bomber; the controversial MX land-based missile, which has long encountered congressional resistance because of its potential vulnerability to Soviet attack; or the Trident II missile submarines?

One must presume that in the administration's mind they are not equally important, since it knows that any or all of them could be vulnerable to congressional cutbacks. Yet in practice the administration is leaving it to the cross-currents of the arguments on Capitol Hill to produce a more coherent package.

In domestic political terms it may be tactically shrewd of President Reagan to hand over to Congress the uncomfortable responsibility for deciding whether and how to reduce the overall budget deficit, if it dares. But it is surprising that, in the security field, the administration has done so little to build on the bi-partisan model of the 1982 report by the Commission on Strategic Forces, so as to forge a closer consensus on how much America needs to spend on defence, and what it needs to spend on it.

The second perplexity concerns the President's Star Wars anti-missile defence research programme. There is, of course, no mistaking President Reagan's personal commitment to this programme, which he launched just under two years ago, though some people may judge it provocative of him to ask for a tripling of expenditure, to \$37bn, a bare month before the re-opening of arms control talks with the Soviet Union in Geneva. No, the ambiguity is over what the President thinks he is offering to the American people, and how he believes it fits into the agenda of the Geneva negotiations.

When he launched the idea which led to the Strategic Defence Initiative, in March 1983, President Reagan held out the hope that new technologies would render nuclear weapons obsolete—in other words, they would provide a defence against

incoming ballistic missiles so perfect that the U.S. and the Soviet Union, for that matter, could abandon their reliance on the mutual mass destruction of retaliatory nuclear weapons for their security.

At the time, this alluring image was widely put down as the undigested product of wishful thinking. The technologies for such a defence might or might not become available, but when he spoke they had scarcely been researched, let alone developed.

For doubtless that research to establish whether such a leak-proof defence was conceivable would take several, probably many, years, and that operational development would take a lot longer: one could applaud President Reagan's moral vision of a world without the bomb, or one could deplore his naivete in selling a vision without adequate consideration of its practical implications, but either way the moment of decision would be many years ahead.

Scientists who believed in, and might hope to benefit from, the research programme might wax lyrical about pop-up lasers, orbiting mirrors and

multiple and very offensive systems that to forify defence.

If the technological problems could be overcome, a defensive system would be destabilising and dangerous because a nuclear superpower, which feared that its retaliatory weapons risked being disarmed by an opposing defensive system, might have an overwhelming incentive for a pre-emptive strike.

Finally, no defensive system

could render offensive weapons obsolete, even if it were perfect; neither nuclear super-power could know that its defences were perfect, because they could never be tested in remotely plausible conditions short of nuclear war, and therefore both superpowers would be bound to retain, as an insurance, retaliatory nuclear forces, which might, for security, be even larger and more varied than would otherwise be the case. In short, even a perfect defensive system could precipitate a massive defensive/offensive arms race.

As the administration's scientists got down to a systematic examination of what was really possible and how soon, it gradually became clear that, for many of them, at least in private, could render offensive weapons obsolete, even if it were perfect; neither nuclear super-power could know that its defences were perfect, because they could never be tested in remotely plausible conditions short of nuclear war, and therefore both superpowers would be bound to retain, as an insurance, retaliatory nuclear forces, which might, for security, be even larger and more varied than would otherwise be the case. In short, even a perfect defensive system could precipitate a massive defensive/offensive arms race.

It is perfectly possible to take a sanguine view of the large gap between presidential



Mr. Weinberger (left) and Mr. Reagan: loyalty after presidential hype

hype and the more prudent assessments of the scientists and of its implications for the arms control negotiations. President Reagan's vision of a bomb-free world is attractive and morally impeccable; it is also entirely cost-free, because he will no longer be in office to defend it. The research programme, however, might be a more modest effort for defining localised military targets. If only because this would vastly complicate the problem facing a would-be pre-emptive attacker.

Such a modest capability might indeed be worth having. The anxiety among American hawks has been that U.S. land-based missiles are vulnerable to pre-emption by increasingly accurate Soviet weapons, and their anxiety has helped drive both the Reagan arms build-up, and the controversy over the MX. The American missile silo defence system permitted under the 1972 Anti-Ballistic Missile (ABM) treaty was dismantled a decade ago on grounds of ineffectiveness. A new, more effective local missile silo defence might help to restore calm to the American right wing and increase the stability of the nuclear balance.

In public, however, the administration is still holding out the most extravagant expectations. In his inaugural speech last month President Reagan offered the hope that the SDI programme would create a security shield that "would render nuclear weapons obsolete." Only last week Mr. Weinberger called his loyalty to the president of describing the objective as "the right and likely" defensive system that would render nuclear weapons "obsolete and totally impotent."

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Lombard

Don't go by the dollar rates

By Samuel Brittan

IF ANYONE in the financial community deserves to receive not merely a knighthood, but a dukedom, it is the person who can kill the harmful and anti-social habit of judging the behaviour of sterling by the dollar exchange rate.

The charts show the movement of sterling against various benchmarks since it started to weaken in September. From the beginning of that month until its January low point it fell by some 15 per cent against the dollar, and of its implications for the arms control negotiations. President Reagan's vision of a bomb-free world is attractive and morally impeccable; it is also entirely cost-free, because he will no longer be in office to defend it. The research programme, however, might be a more modest effort for defining localised military targets. If only because this would vastly complicate the problem facing a would-be pre-emptive attacker.

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misgivings. Britain and Germany have publicly taken a sanguine view of the research programme, since it is not banned under any arms control treaty, and its banning could not in any event be verified; Mrs Thatcher got the next best thing, during her visit to Washington last December, when she secured US endorsement of the proposition that "any testing or deployment of a strategic defence would be a matter for negotiations." Yet last week Mr. Weinberger said on US television: "I am ruling out the possibility of giving up a strategic defence either in the research stage or, if it becomes feasible, in the deployable stage."

The point is that President Reagan does not have an open mind on the pros and cons of SDI to which, as one official put it, he ascribes all the force of a "moral imperative"; and his Secretaries of State and Defense are transparently anxious to blur the proposition, central to all previous arms control negotiations, that there is an unbreakable link between defence and offence.

While France has expressed misgivings, Britain and Germany have publicly taken a sanguine view of the research programme, since it is not banned under any arms control treaty, and its banning could not in any event be verified; Mrs Thatcher got the next best thing, during her visit to Washington last December, when she secured US endorsement of the proposition that "any testing or deployment of a strategic defence would be a matter for negotiations." Yet last week Mr. Weinberger said on US television: "I am ruling out the possibility of giving up a strategic defence either in the research stage or, if it becomes feasible, in the deployable stage."

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As for the dollar rate, it is

down by high interest rates in other countries. It is too simplistic to say, and especially so in the case of Britain, whose interest rates have already risen far more than any major continental country's. The timing and extent of base-rate changes should depend ultimately on the British Government's counter-inflationary objective, and probably already discounted some rundown in oil production.

To attempt to keep the dollar down by high interest rates in other countries is, in too simplistic a half, and especially so in the case of Britain, whose interest rates have already risen far more than any major continental country's. The timing and extent of base-rate changes should depend ultimately on the British Government's counter-inflationary objective, and probably already discounted some rundown in oil production.

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FINANCIAL TIMES

Monday February 11 1985

Terry Byland on Wall Street Aerospace flight path for growth

THE AIRLINE business has become a harder place to live in since the industry was deregulated in 1977, so it is hardly surprising that Wall Street investors in the sector have had an equally bumpy ride.

Stocks in the major domestic carriers have often outpaced the rest of the market since the January boom in industrial equities took off, but that has not prevented occasional setbacks as the market switched its attention from tumbling oil prices — good for airline profits — to vicious price discounting — extremely bad for them the last time it happened.

At the last count about 12 airlines had filed for Chapter 11 since deregulation. The list was lengthened last month when Northwest Airlines filed, and few analysts believe the list is closed yet.

Investors seeking a safer ride have been buying into the industry through the backdoor by following the aerospace sub-contractor stocks. These stocks have lagged behind the market since January 1, partly because of their modest size, partly because most of them also sell to the military aerospace programmes which are thought to be at the top of their spending cycle.

Company	Share earnings \$ (last fiscal)	Sales (\$m)
Hexcel	1.03	150
Hi-Shear	(0.63)	51
Rohr	4.50	606
Wyman-Gordon	2.40	389

The best performers have been SPS Technologies, which leads U.S. production of fastening systems for aero-engines and frames with sales of around \$322m for 1984. Hi-Shear Industries, its rival with \$316m sales for fiscal 1984, and Wyman-Gordon which makes high-strength forged metal components.

The sub-contractors are already benefiting from the upswing in the commercial aerospace cycle which surprised the industry in 1983 and 1984. In the first nine months of last year orders for commercial aircraft totalled 281, against 158 for the whole of 1983, according to Mr James Vail, aerospace analyst at Oppenheimer.

The increase came mostly in orders for narrow-bodied aircraft, for which a new market has been created by the success of Federal Express and its nationwide courier service, now emulated by Airborne Freight, Emery Air Freight and United Parcel Service.

This trend is spreading to the larger aircraft more commonly used for passenger carriers.

The new generation airliners are extensive users of the new composite materials, which can substantially reduce aircraft weight, and of the new components needed to support composite structures.

Rohr Industries holds 50 per cent of the world market for aero-engine products, and has made significant progress in the use of composite materials. Its two big earners are its contracts with Boeing and with Airbus Industrie, both of which are likely to maintain high production levels for the next few years.

With all this strength in its markets, annual profits of Rohr remain only just above the \$300,000 level.

The stock traded on about 11 times earnings, putting it on a par with the Standard & Poor's 400 index.

Rohr, however, is likely to show a substantial increase in earnings this year — perhaps as much as 24 per cent, according to Oppenheimer, compared with forecasts of flat, or marginally higher profits for the S & P Industrials.

Also apparently overlooked is Wyman-Gordon, trading on 15 times earnings. Defence equipment is still Wyman's prime source of revenue, representing about half of the total of \$300m or so for 1984. Its defence contracts are spread widely through the range, however, covering most of the forgings for the B-1B bomber but also for helicopter rotors. Its defence revenues could still grow by 15 per cent over the next two years, the board believes.

On the commercial side, Wyman, having already benefited from the demand for narrow-bodied aircraft, stands to do well from the expected increase in orders for large passenger-carrying aircrafts.

One factor which militates against investment in the sub-contractor stocks is the narrowness of the market in many of them. Wyman-Gordon, for example, has 19.4m shares outstanding but only 19,000 of them are traded on an average day.

Major institutions are wary of locking themselves into stocks in which trading markets are narrow. For this reason aerospace sub-contractor stocks were left out of the initial upsurge in the stock market in mid-January.

Now, with the second-line stocks making the running in heavy turn over, while the blue chips tread water for a while, the sector is coming to life.

Wall Street prices, Pages 20-23

Kohl backs research into 'star wars' plan

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT, IN MUNICH

EUROPEAN governments differ sharply in their approach to the U.S. strategic defence initiative, despite efforts of the U.S. Administration to win European support.

West German Chancellor Helmut Kohl moved appreciably closer to endorsing the so-called "star wars" initiative at the weekend when he agreed not only that the U.S. programme of research should go ahead but proposed that European countries should be involved in the programme.

M Charles Hernu, the French Defence Minister, speaking at the same Wehrkunde defence conference in Munich, however, was not at all enthusiastic. Repeating French calls for a treaty to limit anti-satellite weapons, M Hernu warned that the research into ballistic missile defence would be likely to lead to the deployment of weapons in space.

For M Hernu, this outcome was likely only if the present competition between the superpowers was

replaced by a "complicity" where all rivalry had drained away. That, he thought, was most unlikely.

Equal scepticism was expressed by Mr Geoffrey Pattie, Minister of State in charge of Britain's civilian space programme.

Chancellor Kohl appeared to accept the U.S. argument that the "star wars" project, even if it made possible only an imperfect defence against incoming nuclear missiles, could lead to greater strategic stability between the superpowers.

The U.S. argument, expressed in a speech by Defence Secretary Caspar Weinberger, who failed to arrive from snow-bound London, would ultimately enable the superpowers to negotiate significant reductions in offensive nuclear missiles.

U.S. officials, however, later acknowledged that Chancellor Kohl's suggestion of participation found them without a policy on the issue. U.S. defence thinking, Page 12, Arms control talks, Page 2.

Washington warns again over Tokyo telecommunications laws

BY JUREK MARTIN, FAR EAST EDITOR, IN KYOTO

THE U.S. once again warned Japan yesterday that it was concerned that the pending changes in the Japanese telecommunications system might still end up discriminating against American companies.

Mr William Brock, the U.S. Trade Representative, told Mr Keiichi Murata, the Japanese Minister for International Trade and Industry (MitI) that there would be "negative and unfortunate" reactions in the U.S. if the proposed but still unformulated new telecommunications laws, due to be in force by the end of 1986, were to discriminate against the U.S. in its contents. That appears to be a genuine possibility at this stage.

The Brock-Murata exchanges took place in a separate meeting in the margins of another round in the series of quadrilateral trade ministers' conferences. This one included the EEC, in the person of Mr Willy de Clerq, its Commissioner for External Relations, and Canada, represented by Mr James Kallahan, the Minister for International Trade.

It does not appear that the U.S. or Japan made much progress in solving any of the several trade disputes now confronting them. For example, according to MitI officials, neither Mr Brock nor Mr Murata were able to convey any decisions by their respective governments on the ending or continuing of the current programme of restraints on

that ministry had yet to be concluded on the NTT legislation.

Perhaps aware of this, Mr Brock had warned that it would be "useless" to make a telecommunications proposal so close to April that there was far too little time for adequate discussion with the U.S. on its contents. That appears to be a genuine possibility at this stage.

Japan has committed itself to limiting itself to 3.8 per cent of the U.S. steel market but how various steel products are classified remains to be negotiated. If the U.S. proves intransigent, Mr Murata told Mr Brock, "it may be difficult for Japan to meet the relevant U.S. demands, thus creating problems for U.S. users."

Japan also proposed to the U.S. that the "agreement" mutually to abolish tariffs on semiconductors negotiated over a year ago and due to take effect next month — might be duplicated on other microelectronic sectors. Mr Murata argued that electronics was a fast expanding area of bilateral trade and, as such, one in which trade friction should be avoided.

The thrust of Mr Brock's remarks confirmed that the U.S. had decided to exert the maximum pressure on Japan on telecommunications. It is, at present, difficult for the ministry to respond for the new laws due to take effect with the partial privatisation of the state monopoly, Nippon Telegraph and Telephone (Ntt) on April 1 are not its responsibility, but that of the Ministry of Posts and Telecommunications. A MitI official conceded last night

that the sub-contractors are already benefiting from the upswing in the commercial aerospace cycle which surprised the industry in 1983 and 1984. In the first nine months of last year orders for commercial aircraft totalled 281, against 158 for the whole of 1983, according to Mr James Vail, aerospace analyst at Oppenheimer.

The increase came mostly in orders for narrow-bodied aircraft, for which a new market has been created by the success of Federal Express and its nationwide courier service, now emulated by Airborne Freight, Emery Air Freight and United Parcel Service.

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Wall Street prices, Pages 20-23

World Weather

Met. 1° 7° 12° 17° 22° 27° 32° 37° 42° 47° 52° 57° 62° 67° 72° 77° 82° 87° 92° 97° 102° 107° 112° 117° 122° 127° 132° 137° 142° 147° 152° 157° 162° 167° 172° 177° 182° 187° 192° 197° 202° 207° 212° 217° 222° 227° 232° 237° 242° 247° 252° 257° 262° 267° 272° 277° 282° 287° 292° 297° 302° 307° 312° 317° 322° 327° 332° 337° 342° 347° 352° 357° 362° 367° 372° 377° 382° 387° 392° 397° 402° 407° 412° 417° 422° 427° 432° 437° 442° 447° 452° 457° 462° 467° 472° 477° 482° 487° 492° 497° 502° 507° 512° 517° 522° 527° 532° 537° 542° 547° 552° 557° 562° 567° 572° 577° 582° 587° 592° 597° 602° 607° 612° 617° 622° 627° 632° 637° 642° 647° 652° 657° 662° 667° 672° 677° 682° 687° 692° 697° 702° 707° 712° 717° 722° 727° 732° 737° 742° 747° 752° 757° 762° 767° 772° 777° 782° 787° 792° 797° 802° 807° 812° 817° 822° 827° 832° 837° 842° 847° 852° 857° 862° 867° 872° 877° 882° 887° 892° 897° 902° 907° 912° 917° 922° 927° 932° 937° 942° 947° 952° 957° 962° 967° 972° 977° 982° 987° 992° 997° 1002° 1007° 1012° 1017° 1022° 1027° 1032° 1037° 1042° 1047° 1052° 1057° 1062° 1067° 1072° 1077° 1082° 1087° 1092° 1097° 1102° 1107° 1112° 1117° 1122° 1127° 1132° 1137° 1142° 1147° 1152° 1157° 1162° 1167° 1172° 1177° 1182° 1187° 1192° 1197° 1202° 1207° 1212° 1217° 1222° 1227° 1232° 1237° 1242° 1247° 1252° 1257° 1262° 1267° 1272° 1277° 1282° 1287° 1292° 1297° 1302° 1307° 1312° 1317° 1322° 1327° 1332° 1337° 1342° 1347° 1352° 1357° 1362° 1367° 1372° 1377° 1382° 1387° 1392° 1397° 1402° 1407° 1412° 1417° 1422° 1427° 1432° 1437° 1442° 1447° 1452° 1457° 1462° 1467° 1472° 1477° 1482° 1487° 1492° 1497° 1502° 1507° 1512° 1517° 1522° 1527° 1532° 1537° 1542° 1547° 1552° 1557° 1562° 1567° 1572° 1577° 1582° 1587° 1592° 1597° 1602° 1607° 1612° 1617° 1622° 1627° 1632° 1637° 1642° 1647° 1652° 1657° 1662° 1667° 1672° 1677° 1682° 1687° 1692° 1697° 1702° 1707° 1712° 1717° 1722° 1727° 1732° 1737° 1742° 1747° 1752° 1757° 1762° 1767° 1772° 1777° 1782° 1787° 1792° 1797° 1802° 1807° 1812° 1817° 1822° 1827° 1832° 1837° 1842° 1847° 1852° 1857° 1862° 1867° 1872° 1877° 1882° 1887° 1892° 1897° 1902° 1907° 1912° 1917° 1922° 1927° 1932° 1937° 1942° 1947° 1952° 1957° 1962° 1967° 1972° 1977° 1982° 1987° 1992° 1997° 2002° 2007° 2012° 2017° 2022° 2027° 2032° 2037° 2042° 2047° 2052° 2057° 2062° 2067° 2072° 2077° 2082° 2087° 2092° 2097° 2102° 2107° 2112° 2117° 2122° 2127° 2132° 2137° 2142° 2147° 2152° 2157° 2162° 2167° 2172° 2177° 2182° 2187° 2192° 2197° 2202° 2207° 2212° 2217° 2222° 2227° 2232° 2237° 2242° 2247° 2252° 2257° 2262° 2267° 2272° 2277° 2282° 2287° 2292° 2297° 2302° 2307° 2312° 2317° 2322° 2327° 2332° 2337° 2342° 2347° 2352° 2357° 2362° 2367° 2372° 2377° 2382° 2387° 2392° 2397° 2402° 2407° 2412° 2417° 2422° 2427° 2432° 2437° 2442° 2447° 2452° 2457° 2462° 2467° 2472° 2477° 2482° 2487° 2492° 2497° 2502° 2507° 2512° 2517° 2522° 2527° 2532° 2537° 2542° 2547° 2552° 2557° 2562° 2567° 2572° 2577° 2582° 2587° 2592° 2597° 2602° 2607° 2612° 2617° 2622° 2627° 2632° 2637° 2642° 2647° 2652° 2657° 2



SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Monday February 11 1985



U.S. banks revise attitude to East European credits

A NEW FASHION for East European business seemed to be developing in the Eurocredit market last week, writes Peter Montagnon in London.

Not only was there an enthusiastic initial response to the new \$150m deal for Deutsche Auenlandbank, East Germany's foreign trade bank, but on Friday came news of an Ecu 50m credit for the Soviet Union, bearing a margin of just 4% per cent for the first three years rising to 4% per cent for the remaining four.

This marks a sharp fall in margins for the Soviet Union, whose foreign trade bank was until recently borrowing at around 4% per cent over Eurocurrency rates. East German margins have also dropped. Aussenhandelsbank's new deal bears interest at 4% per cent over Eurodollars or 4% per cent over US prime compared with a 1% per cent Eurodollar margin previously. But the main feature of last week's new deal was the conspicuous presence of major U.S. banks - Bank of America, Citicorp and Manufacturers Hanover - in the lead group.

U.S. banks, most of which have shunned East European business since the Soviet invasion of Afghanistan and the Polish debt crisis, are now clearly changing their minds. The reason is not hard to find. Deals such as that for Deutsche Aussenhandelsbank are straightforward, high-yielding syndicated loans that are increasingly hard to find elsewhere. "It is," said one banker last week, "almost enough to make the old hands weep with nostalgia."

But others argue that it would be wrong to expect Eastern Europe to pick up much of the slack left by the decline in traditional business elsewhere. Though East Germany may continue to borrow, partly to refinance existing debt, and the Soviet Union needs loans to finance grain imports, other Comecon countries such as Czechoslovakia have now adopted a very conservative

approach to foreign borrowing. Poland and Romania are still very much in the shadow of their own shortcomings.

The supply of new business from Eastern Europe is therefore likely to remain rather sparse. That could lead to a situation where competition for business drives margins down too fast for comfort. Some bankers argued that this was already the case with the new Soviet loan, which is led by Crédit Commercial de France.

Other developments in the market combined to suggest last week that business may be picking up, albeit slowly. Not only are Greece and Korea (through its Exchange Bank) likely to seek loans soon; Portugal has now launched a \$300m credit deal, half of which is to take the form of a Eurobond and short-term advances facility.

Terms on the deal include a margin of 4% per cent for the conventional credit portion and a facility fee of 4% on the Euronote standby which will bear interest at 4% per cent if drawn. They are regarded as the market as finely balanced, but the yield of about 4% per cent on existing Portuguese Euronotes and the heavy oversubscription of the recent \$100m deal for Electricidade de Portugal suggest demand is there.

The same cannot be said of Turkey whose \$500m facility was still stuck at \$450m last week. Some of these commitments are conditional on the full amount being reached, and there are worries that banks in the deal may start getting restive if the lead group is not completed soon.

Merrill Lynch meanwhile launched a \$150m, five-year Euro-note facility for the Transco energy concern for which the maximum yield on the notes has been set at 15 basis points. The Council of Europe is raising an unusual BFr 1.25bn, nine year 11% per cent credit through Caisse d'Epargne and Banque Générale de Luxembourg as well as Kastikka Securities.

Bond demand dries up as dollar keeps climbing

THE EUROBOND market has lost its nerve. "The bull market psychology is broken," said one trader on Friday. Last week saw the dollar rise yet higher against the major currencies, deterring investors both from buying dollar bonds, in case the dollar falls, and non-dollar bonds, in case it does not fall, write Maggie Urry and Peter Montagnon in London.

In any case investors and dealers have so much paper already that they will not take any more. Traders report that buying from the Swiss and the Japanese has dried up.

Meanwhile the New York bond market is in trouble too. Last week's auctions have left the banks stumped with paper. The Federal Reserve was seen to be tightening a

touch, and fed funds rates rose. The budget deficit looks over all.

Practically all of last week's fixed rate Eurobonds had issues were well underway by Friday, save for Salomon's Society for Savings. Many of the big issuing houses - such as Credit Suisse First Boston, Morgan Guaranty and Morgan Stanley - were keeping well clear of the market.

Against that background, syndicate managers were highly critical on Friday of a deal brought by UBS (Securities) for Rockwell.

This is UBS's third deal in two weeks, an unusually large number for this house, and rival syndicate managers suspect that UBS is buying market share, at the cost of supporting mispriced issues. Although the first two - for Mobil and Kodak

were syndicated, both issues are weighing heavily on co-managers' books.

At last the co-managers have turned, and on Friday the major houses were virtually all turning down the \$300m Rockwell deal.

At the time of pricing the cost of funds to Rockwell was a staggering 37 basis points below U.S. Treasury yields - a spread larger than that on the IBM issue the week before, which had to be cut in size.

The floating-rate note market is not immune from the troubles. Higher interest rates are hitting prices, but at least there are fewer new issues to contend with, and last week's were all trading inside their fees even on Friday.

This week sees the launch of three floaters from Thailand, totalling

ing \$400m.

Alarm also gripped European and Japanese markets as the dollar scaled new peaks. Here the problem is not just that investors risk currency losses if the dollar falls to hold on to these new giddy heights. Short-term interest rates are being sucked higher by its rise; and that is undermining domestic bond markets too.

Mr Satoshi Sumita, new governor of the Bank of Japan, was twice forced to deny last week that rates would be ratcheted upwards. But that only fuelled speculation that the Bank of Japan was poised to move. Domestic bonds tumbled by more than two points on the week and Euroyen issues fell in the wake - though not by quite as much.

Friday's new "Samurai" issue for the Inter-American Development Bank shows just how far the market has deteriorated. It yields 7.103 on the Japanese basis and this compares with 6.7 per cent on the (slightly shorter) Victoria Public Authority issue launched a week before.

That is the order of the day in Germany too, where today's scheduled DM 200m issue for Spain has been temporarily withdrawn.

Secondary market prices in Germany too, where today's scheduled DM 200m issue for Spain has been temporarily withdrawn.

Secondary market prices in Germany too, where today's scheduled DM 200m issue for Spain has been temporarily withdrawn.

EUROMARKET TURNOVER						
Turnover (\$m)						
Primary Market		Secondary Market		Ceded Eurobds Total		
U.S.S	Straitex Corp	FRN	Other	U.S.S	22222.0	22222.0
3740.7	2.0	142.4	499.9	Prev 22222.0	1525.2	10304.9
22222.0	0.0	1152.5	26.1	Other 468.0	0.0	2424.4
468.0	0.0	148.5	52.9	Prev 1015.1	0.0	1126.4
1015.1	0.0	0.0	0.0	Week to Feb 7 '85	0.0	138.5

Source: AIBD

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount	Maturity	Av. life	Coupon	Price	Lead Manager	Offer yield
U.S. DOLLARS							
Midland Petroleum 1/2	25	1990	8	8 1/2	100	Nomura Int.	8.500
Vesco Transport 2/2	48	2000	15	3	100	Mitsubishi (Europe)	3.000
Kuwaiti Govt 1/2	68	2000	15	3 1/2	100	Daiwa Europe	3.500
Swiss-Econ Bank 3/2	38	2000	15	(3)	100	Yamada Int.	10.415
Fed. Home Bank 2/2	58	1990	4	10 1/2	100	Wheatland Corp.	10.573
Chilean Lending 1/2	58	1990	7	11	100	Salomon Bros.	10.500
Society for Savings 1/2	75	1990	5	11 1/2	100	Salomon Bros.	11.370
Hayes Bank 2/2	75	1990	5	11 1/2	100	Salomon Bros.	11.432
John Deere	150	1995	10	11 1/2	100	Merrill Lynch	11.150
Embank Trust (NY) 1/2	100	1990	8	11 1/2	100	Bankers Trust Int.	11.125
Farmers State 2/2	460	1995	15	(3)	100	Merrill Lynch	10.125
Royal Bt of Canada 1/2	180	1990	6	11 1/2	100	Drive Royal Bank	11.125
Marmon 1/2	20	1990	5	(8 1/2)	100	Nikkei Secs (Europe)	11.525
Toyo Tissue (Asia) 2/2	100	1992	7	11 1/2	100	Salomon Bros.	11.525
Gold Inc 2/2	75	1995	10	11 1/2	100	Kidder Peabody	11.750
Bankers Trust (NY) 1/2	300	2000	15	1 1/2	100	Bankers Trust Int.	10.473
Hayes Shipyards 1/2	58	1992	7	11	100	Deutsche Europe	10.473
Portuguese Bt 5/2	58	2000	15	(3 1/2)	100	Deutsche Europe	10.473
Portuguese Bt 6/2	100	1997	20	11 1/2	100	Deutsche Europe	10.473
Opel Motor 5/2	30	1990	5	(8 1/2)	100	Yamada Int. (Europe)	11.581
Port Motor 2/2	100	1995	10	11 1/2	100	Goldman Sachs	10.528
Rockwell 2/2	300	1992	7	10 1/2	100	UBS (Sect)	10.528
AUSTRALIAN DOLLAR							
Bank of Tokyo Int 2/2	60	1992	7	12 1/2	101 1/2	Bank of Tokyo Int.	12.293
NEW ZEALAND DOLLARS							
N.Z. Breweries 2/2	25	1991	8	15 1/2	95 1/2	UBS (Sect)	15.817
N.Z. Breweries 2/2	25	1992	7	15 1/2	95 1/2	UBS (Sect)	15.537
B-MARKS							
ESB 2/2	300	1993	8	7 1/2	100	Deutsche Bank Commercial	7.500
Provinces of Ireland 2/2	200	1995	10	7 1/2	100	Deutsche Bank Commercial	7.500
ECU							
ECB Chrysler Fin 2/2	60	1991	6	18	100	Banque Paribas	18.000
YEN							
DAIICHI 1/2	365	2000	12.3	7	99 1/4	Deutsche Secs.	7.003
Other							
* Not yet priced. † Final term. ** Friend placement. \$ Convertible. † Floating-rate note. * With equity warrants. (a) Higher of 5% LIBOR or 1-10 LIBOR, refined monthly, payable 6-monthly; (b) 1/4 over 3-10 LIBOR. Note: Yields are calculated on AMB basis.							

**De
Nationale
Investeringsbank
N.V.**

U.S. \$50,000,000

12 per cent. "A" Notes due 1990

and 50,000 Warrants to purchase

U.S. \$50,000,000

12 per cent. "B" Notes due 1990

U.S. \$100,000,000

The Coca-Cola Company

11 1/2% Notes due November 28, 1988

with

Warrants to Purchase

U.S. \$100,000,000 11 1/2% Notes due November 28,

US MONEY AND CREDIT

Mood turns skittish as Fed touches brakes

THE U.S. Government securities market sagged last week under the weight of new supply and an overdose of promises, predictions, and threats from everyone from the President down.

By the close last week most bond prices were still showing losses of up to a point on the week, despite a price improvement on Friday after the Fed injected funds through an overnight system repurchase agreement.

The price decline reflected two key factors. First, the \$19bn quarterly refunding went badly, leaving much of the new 10 and 30-year paper in dealer hands. Second, following the Fed's recent slight firming of the market's mood — so positive just three weeks ago — has turned decidedly skittish.

The Treasury auctions were a severe market disappointment. Hopes were dashed that the special striping feature of the new bonds would bolster retail demand which, in the event, appeared almost non-existent.

While the three-year note sale went reasonably well producing an average yield of 10.4 per cent, the 11.36 per cent yield on the 10 year paper and the 11.7

	Last Friday	Change	1 week	4 weeks	12 months
Fed Funds (weekly average)	8.42	—	8.20	11.77	7.82
3-month Treasury bills	8.22	0.20	8.05	10.77	7.85
6-month Treasury bills	8.30	0.22	8.05	10.47	7.87
12-month paper	8.30	0.22	8.05	10.36	7.85
30-day Commercial Paper	8.25	0.20	8.05	11.36	7.85
90-day Commercial Paper	8.30	0.20	8.05	11.36	7.85
U.S. BOND PRICES AND YIELDS (%)					
Seven-year Treasury	101%	—	11.30	11.28	11.47
20-year Treasury	100%	—	11.30	11.47	11.52
New 10-year "A" Financial	N/A	—	12.00	11.30	12.30
New "AA" Long utility	N/A	—	12.00	12.37	12.75
New "AA" Long Industrial	N/A	—	12.25	12.12	12.38

Money Supply: In the week ended January 29 M1 fell by \$1.5bn to \$565.5bn. Source: Salomon Brothers (estimated)

per cent yield to the new (non-callable) 11.29 per cent Treasury long bonds were above dealer expectations.

It took a \$1.9bn decline in M1 followed by the Fed's Friday system RPs — conducted when the funds rate hit 8.4 per cent — to restore any semblance of market confidence.

In fact the backdrop to the refunding was decidedly inauspicious. Ahead of the auction the Fed — apparently reacting to recent bouncy monetary growth — placed a temporary hold on the U.S. could grow its way out of the deficit problem, and re-newed warnings on the deficit

attention on the Fed's policy making Open Market Committee (FOMC) meeting which begins a key two-day session tomorrow. The meeting will set the 1985 monetary targets which Mr Paul Volcker, the chairman, will deliver to Congress on the 19th.

Last week dire budget deficit forecasts from the Congressional Budget Office, the President's own speech which suggested — much to the market's disbelief — that the U.S. could grow its way out of the deficit problem, and re-newed warnings on the deficit

problem by Mr Volcker thrust the issue back into the centre stage.

At the same time both the volume and the contents of comments by Fed officials left the markets deeply confused. Among specific comments, Mr Volcker characterised excessive money growth as "counter-productive" while Mr Preston Martin, the vice-chairman, speaking the same day, stressed continuing concerns over a growth recession and the need to reduce the unemployment rate.

Against this backdrop Wall Street's economic gurus were able to draw dramatically opposing conclusions.

Dr Henry Kaufman of Salomon Brothers, said an "FOMC reaffirmation of current moderate restraint is probable," and argued "The monetary authorities are likely to vote to continue their policy of the past few weeks. Despite dollar strength and the very low current levels of inflation, there are still fairly compelling reasons for getting better control of the persistent growth in

total assets than has been seen for a while.

That helps to explain why the gilt market has not really fallen a long way during the 4-point rise in base rates, and why institutions could be scared to be left out of a rally in the market.

Institutions may also be wondering where else to put their cash at the moment. With sterling so low, overseas investment is not appealing.

Some interest in index-linked stocks has been seen, though demand for these stocks is generally patchy. Today's figures for producers input prices are likely to show a rise for January, a first hint of the higher inflation now widely forecast. This will be the first period since the beginning of index-linked funding when expectations are for a rise not fall in inflation, and it will be interesting to see how the index-linked stocks perform.

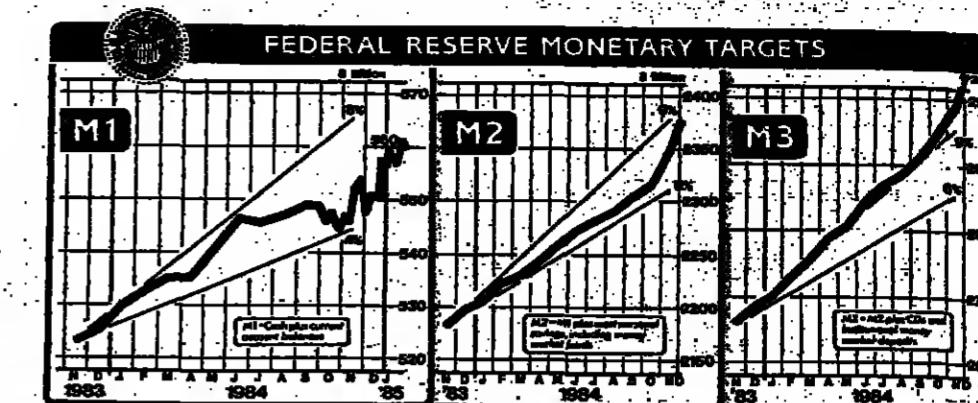
Maggie Urry

accepting that the near-term market outlook is "bearish" argued that "though the Fed has firmed, there is ample reason to doubt the Fed will firm further at this week's FOMC meeting."

The effects of this renewed uncertainty are evident in the markets. The "old" Treasury long bond closed on Friday at 102 to yield 11.40 per cent while the new 30-year bonds were yielding 11.35 per cent on a yield-to-maturity basis.

While bond yields headed higher, short-term rates were largely unchanged to 15 basis points flat.

In the corporate sector bond prices were unchanged, to a point lower on the week and a new issue volume slowed to a trickle as treasurers steered



clear of the jittery markets. Among the new issues that were brought to market, Bawer Inc sold \$125m of 12% per cent year bonds priced to yield 12.45 per cent.

Investors were also introduced to a new breed of securities "Cars" or Certificates

for Automobile Receivables, brought home by figures from Securities Data Company which showed that U.S. borrowers

paid \$6.17bn in the Euro-markets in January, compared with \$4.36bn in the U.S. domestic market.

Paul Taylor

UK GILTS

Prices underpinned by institutions

THE GILT market was stronger last week than any analysis based on logic could have foretold. Certainly Tuesday's money supply figures were not a factor for a rise in long-dated stocks of point over the week. And the base rate cut the market has been expecting is receding from view.

By Friday prices were falling again as sterling resumed its slide. But during the course of rallies on Tuesday and Thursday the Government Broker's conventional taplets were exhausted. The two index-linked taplets were taken out as well.

The Government Broker looked keen to put a damper on the market and delay the base rate cut on Friday afternoon when he announced a £800m short tap with a 11 per cent coupon and a minimum tender price of £87.50.

Certainly the funding programme is one bullish factor at the moment. Sales in the February banking month should help bring the money supply

back into line. And the party could that for a while. As one gilt salesman said to a client during Thursday's run-up: "I don't like the look of the yield curve much, but the market's going up, so you'd better buy a few."

As dealers cast around for a reason for the rise, the fabled overseas buyers were said to be out in force. Estimates of their interest are sometimes exaggerated, but there was undoubtedly some buying from foreign investors, perhaps encouraged that the miners' strike is nearly over and that sterling is holding its own against the dollar, rather better than the yen and D-Mark.

Another likely cause for the market's firmness is the high level of institutional liquidity at present. Estimates of the pension funds and insurance companies' short-term assets of £8bn to £9bn are common, while some guess as to much higher. These cash holdings form a higher proportion of

total assets than has been seen for a while.

That helps to explain why the gilt market has not really fallen a long way during the 4-point rise in base rates, and why institutions could be scared to be left out of a rally in the market.

Institutions may also be wondering where else to put their cash at the moment. With sterling so low, overseas investment is not appealing.

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Maggie Urry

All of these Securities have been sold. This announcement appears as a matter of record only.

U.S. \$150,000,000

Den norske Creditbank

DnC

Perpetual Floating Rate Subordinated Notes

MORGAN STANLEY INTERNATIONAL

BANK OF TOKYO INTERNATIONAL Limited

ALGEMENE BANK NEDERLAND N.V.

BARCLAYS BANK GROUP

DAI-ICHI KANGYO INTERNATIONAL Limited

GOLDMAN SACHS INTERNATIONAL CORP.

MERRILL LYNCH CAPITAL MARKETS

NIPPON CREDIT INTERNATIONAL (HK) LTD.

UNION BANK OF SWITZERLAND (SECURITIES) Limited

BERGEN BANK A/S

DEN NORSKE CREDITBANK (LUXEMBOURG) S.A.

SPAREBANKEN OSLO AKERSHUS

January 9, 1985

NORDIC BANK PLC

CREDIT LYONNAIS

DRESDNER BANK

KREDIETBANK INTERNATIONAL GROUP

MORGAN GRENFELL & CO. Limited

SALOMON BROTHERS INTERNATIONAL Limited

S.G. WARBURG & CO. LTD.

CHRISTIANIA BANK OG KREDITKASSE

ENSKILDA SECURITIES

SVENSKA HANDELSBANKEN GROUP

STRAIGHT BONDS

FLOATING RATE NOTES

CONVERTIBLE BONDS

STRAIGHT BONDS

YEN STRAIGHTS

STRAIGHT BONDS

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

MORTGAGE-BACKED BONDS

Europeans snap up a U.S. delicacy

INVESTORS in the Eurobond market are being treated to a delicacy long since available to those in the U.S. domestic bond market—mortgage-backed bonds.

By securing a bond issue on property the credit rating can be greatly enhanced and so money can be raised on finer terms. So far U.S. borrowers have been the main issuers of such bonds, extending to the Euromarkets practices developed back home.

But one issue—in the Eurosterling floating rate note sector—has significant implications for the way the UK housing market is financed.

The issue which raised \$50m was made in the name of a new company, with only minimal capital—a daring enough exercise by lead manager Morgan Grenfell. But it is also the first bond issue to be backed by UK

residential mortgages.

The structure of the issue took Morgan Grenfell and its lawyers many months to develop, a sign in itself that the bank believes there is potential to do many more such deals.

The company—called Mortgage Intermediary Note Issuer (No 1) or Mini for short—is a vehicle company, the sole purpose of which is to own a pool of 1,200 mortgages and match that asset with the FRN liability.

As a result the FRN is a remarkably safe investment. The rate of default on mortgages in the UK is tiny, at less than 0.001 per cent. Even so, the mortgages were purchased, will come up to 22 per cent of losses if they should occur. At that level Mini would have the dual recourse to law. Under English law, a mortgage is backed both by the property and the person

—so there is a double chance of getting the money back in the case of a default.

Investors snapped up the paper and future borrowers using the structure should meet a similarly good response.

That is encouraging news to the many banks which have gone into the housing finance market over the past few years. By selling the mortgages to a company like Mini, the loans can be taken off the banks' balance-sheets, allowing them to take on more mortgages and so expand their business.

The banks can currently fund their mortgage business more cheaply in the Eurobond market than the building societies can from retail deposits. While interest rates may fluctuate, the banks will make further roads into the building societies' market share. At the end of 1984, building societies had 77 per cent of the U.K.'s £107bn

of outstanding mortgages.

There are two parts to the mortgage business. First finding the mortgages—something the building societies and clearing banks can do through their branch networks—and second, refunding them. There is no reason why the two functions should be performed by the same organisation.

In the U.S. there is a thriving secondary market in mortgages, though bankers there have yet to come to grips with the problem of packaging floating rate mortgages for sale.

Wall Street bankers are looking for other loans to package and sell, though. Armed with the motto "anything can be securitised," bankers are planning bond issues backed by car purchases, loans and even credit card debts.

M.L.U.

U.S. Quarterly Results

ANDERSON, CLAYTON Food		
Second quarter	1984-5	1983-4
Revenue	\$ 485.2m	\$ 412.5m
Net profit	8.72m	11.16m
Net per share	0.72	0.85
Six months		
Revenue	\$ 929.5m	\$ 786.6m
Net profit	18.96m	26.49m
Net per share	0.88	1.05

AMERICAN-BUSON Largest U.S. brewer		
Fourth quarter	1984	1983
Revenue	\$ 1.29m	\$ 1.07m
Net profit	71.9m	67.9m
Net per share	1.38	1.25
Year		
Revenue	\$ 7.15m	\$ 6.95m
Net profit	207.2m	196.6m
Net per share	7.40	6.90

CHUBB Property & casualty insurance		
Fourth quarter	1984	1983
Revenue	\$ 25.3m	\$ 14.5m
Op. net profit	1.78	0.77
Op. net per share	0.32	0.15
Year		
Revenue	\$ 68.0m	\$ 44.4m
Op. net profit	3.32	1.52

GANNETT Newspapers, broadcasting		
Fourth quarter	1984	1983
Revenue	\$ 570.1m	\$ 477.1m
Net profit	74.5m	60.7m
Net per share	0.95	0.78

GENERAL SIGNAL Instrument & control systems		
Fourth quarter	1984	1983
Revenue	\$ 400.0m	\$ 324.0m
Net profit	32.0m	30.6m
Net per share	3.14	2.05

All of these Securities have been sold. This announcement appears as a matter of record only.

U.S. \$75,000,000

Hill Samuel Group Plc

Perpetual Floating Rate Notes

MORGAN STANLEY INTERNATIONAL

IBJ INTERNATIONAL Limited

BANKAMERICA CAPITAL MARKETS GROUP

BANQUE NATIONALE DE PARIS

BARCLAYS BANK GROUP

COUNTY BANK Limited

CREDITANSTALT-BANKVEREIN

DRESDNER BANK Aktiengesellschaft

KREDIETBANK INTERNATIONAL GROUP

MERRILL LYNCH CAPITAL MARKETS

SUMITOMO TRUST INTERNATIONAL Limited

UNION BANK OF SWITZERLAND (SECURITIES) Limited

January 14, 1985

HILL SAMUEL & CO. Limited

SAUDI INTERNATIONAL BANK Al-Bank Al-Saud Al-Ahli Limited

BANKERS TRUST INTERNATIONAL Limited

BANQUE PARIBAS CAPITAL MARKETS

COMMERZBANK Aktiengesellschaft

CREDIT SUISSE FIRST BOSTON Limited

DAIWA BANK (CAPITAL MANAGEMENT) Limited

GOLDMAN SACHS INTERNATIONAL CORP.

LTCB INTERNATIONAL Limited

SANWA INTERNATIONAL Limited

S.G. WARBURG & CO. LTD.



U.S. \$100,000,000

European Economic Community

11 1/8% Notes due 1990

MORGAN GUARANTY LTD BANQUE NATIONALE DE PARIS S. G. WARBURG & CO. LTD.

ALGEMENE BANK NEDERLAND N.V.

BANK OF TOKYO INTERNATIONAL LIMITED

CHASE MANHATTAN CAPITAL MARKETS GROUP CHASE MANHATTAN LIMITED

COUNTY BANK LIMITED

CRÉDIT LYONNAIS

LEHMAN BROTHERS INTERNATIONAL SEABISON LEHMAN/AMERICAN EXPRESS INC.

SAMUEL MONTAGU & CO. LIMITED

MORGAN STANLEY INTERNATIONAL

ORION ROYAL BANK LIMITED

SOCIÉTÉ GÉNÉRALE

WESTDEUTSCHE LANDES BANK GIROZENTRALE

BANCA COMMERCIALE ITALIANA

BANK BRUSSEL LAMBERT N.V.

COMMERZBANK AKTIENGESELLSCHAFT

CRÉDIT COMMERCIAL DE FRANCE

DRESDNER BANK AKTIENGESELLSCHAFT

LTCB INTERNATIONAL LIMITED

MORGAN GRENFELL & CO. LIMITED

NOMURA INTERNATIONAL LIMITED

SALOMON BROTHERS INTERNATIONAL LIMITED

SOCIÉTÉ GÉNÉRALE DE BANQUE S.A.

February 1, 1985 All of these securities have been sold. This announcement appears as a matter of record only.

RECENT ISSUES

UK COMPANY NEWS

As the Fed reviews overseas banking restrictions...

U.S. banks fear missed opportunity

BY DAVID LASCELLES AND PAUL TAYLOR

U.S. BANKS, presumably, know their law. Yet several of them have gone ahead with plans to buy UK stockbroking and jobbing firms despite a Federal Reserve Board regulation which will severely limit their subsidiaries' ability to underwrite equity securities, not just those in the UK and the U.S., but anywhere in the world.

The Fed is reviewing Regulation K, as it is called, and the banks have responded with voluminous submissions, laced with warning about how they could get shut out of foreign securities markets, particularly in the UK. But the climate for bank jobbing is not very favourable in the U.S. at the moment, and the chances of Reg K being eased in time for the "big bang" liberalisation of the London Stock Exchange next year must be small. If so, how much will it cramp the banks' style?

In its present form, Reg K is highly restrictive since it is designed to extend to the overseas activities of U.S. banks many of the curbs that U.S. law imposes on their domestic operations. It does not, like the Glass-Steagall Act, actually forbid banks to engage in securities underwriting. Instead, it recognises that foreign laws are different, and U.S. banks need greater leeway to compete. But it aims to keep U.S. bank involvement in "impermissible

activities" to a minimum, and plug loopholes which might otherwise allow U.S. banks to circumvent limitations on what they can do in the U.S.

Insofar as the underwriting activities of banks in firms in which U.S. banks have an interest are concerned, Reg K stipulates

that the ventures being put together by Citicorp, Chase Manhattan and Security Pacific all of which are aiming for 100 per cent ownership of London stockbrokers North Carolina National Bank, which intends to keep its stake in Pannier & Gorica to 29.9 per cent would probably fall into the joint venture category.

Because Reg K only applies to equity securities, it does not affect the U.S. banks' huge Euro-

Volume of equity securities issued in major markets and proportion underwritten by commercial bank-affiliated groups.

Market \$m in 1983 %

Brazil 284 25

Germany 2,760 25

Hong Kong 194 25

Netherlands 380 25

Switzerland 23 25

UK 1,586 25

Source: Citicorp

bond underwriting business. But it does mean that a London-based bank with a 100 per cent U.S. bank would be limited in its underwriting in all equity markets: Europe, the U.S. and the Far East.

U.S. bankers are obviously keen to see Reg K ceilings lifted, not just to get into foreign equity markets, but as part of their overall objections to Glass-

wasting and costly." It also said it was dismayed that Dunlop had made public private correspondence on this matter.

Morgan Grenfell said it was clear that any large UK institution would be a shareholder in BTR, which is among the 10 largest UK companies in terms of market capitalisation.

Morgan Grenfell, which it is advising BTR, said yesterday that the shareholders' register had been sent to Dunlop, but it said Dunlop's request was "time-

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Financial Times Monday February 11 1985
INSURANCE

Citicorp treads warily in the life market

WHEN Citicorp, the U.S. banking group, announced in its annual report last year that it had received permission from the Federal Reserve Board to transact life business in Britain, speculation grew that it would be bidding soon for a leading British life company. It clearly had the resources for such an acquisition.

The share prices of Sun Life Assurance and Equity and Law Life Assurance Society, two British life companies which would fit Citicorp's requirements, have fluctuated since as takeover rumours grew and died.

However a press interview in London last week by Mr Hans Angermuller, Citicorp's vice-chairman, should have scotched speculation that the company was poised to swoop.

In outlining Citicorp's strategy, Mr Angermuller reaffirmed the company's intention to enter the insurance market. Insurance was second

only in size to banking in the financial services sector.

The ultimate aim was for Citicorp to provide all its customers, individual and institutional, with a complete range of financial services and that meant providing a full insurance service, he said.

The Fed effectively blocked Citicorp, and other banks, from underwriting insurance risks in the U.S. unless they were directly tied to banking activities. It took a more benign attitude towards insurance marketing and, because of the lesser risks, insurance distribution, a field in which Citicorp has experimented in some U.S. areas.

Insurance in the U.S. is traditionally the most regulated in the world with few opportunities to expand. The Fed takes the attitude that banks should compete on equal terms with the same facilities as local banks.

Banks in Britain can—and

some do—have life insurance subsidiaries so Citicorp was given permission to underwrite life business here—and in West Germany, Belgium and Australia.

Having obtained this permission, Citicorp has been in the throes of deciding how to proceed. It has the necessary insurance company—Citibank Assurance—to expand its life insurance here. This company is a subsidiary of Citibank Savings, the British banking operation acquired several years ago and until now kept on the shelf. Since the beginning of this year, the insurance company has been trading actively, though on a very small scale.

Citicorp is considering how to expand the operations of Citibank Assurance and Mr Angermuller accepts that the growth of insurance companies is a slow process which consumes capital, not the latter consideration is any bar to the company.

The alternative—acquiring an existing British insurance company—is ruled out for the moment by Mr Angermuller. "There are too many fancy prices being asked for UK life companies," he said.

Mr Angermuller feels that now is not the time to get too involved in an insurance distribution system here which shows every sign of soon being radically cut.

In this respect, he appears to be looking further into the future than many commentators and most traditional life companies in Britain. These are expanding their marketing outlets beyond the traditional independent intermediary by setting up their own direct sales forces.

Moves towards electronic sales methods, integrated financial services and plastic card credit systems which would lead to a cut in direct sales are being achieved by most British life companies.

Citibank Savings already has established links with British life companies to market and distribute their house mortgage and small business loans, using the marketing outlets of those companies. Although Mr Angermuller's aim is for Citibank Savings to provide all the services and thus kill all the profits for its shareholders, he is not ready to upset a system which is working well until he has a satisfactory replacement.

In property and casualty insurance, Citibank Savings has moved into the marketing and distribution side by acquiring the insurance broking operation Grindley, Brundt. Citibank is considering whether to make other acquisitions. Here again high prices are being asked for insurance broking operations.

Mr Angermuller is not anxious to get into underwriting of this business and thankful that the Fed prevents him even considering it in the U.S.

Eric Short

APPOINTMENTS

Executive posts at Eschmann Bros. and Walsh

Mr Paul Batterby has been appointed managing director of Eschmann Bros. & Walsh part of the GLAXO GROUP. He succeeds Mr Jim Everitt, who has left to take up an appointment at Vickers Medical. Mr Batterby, who also assumes responsibility for the healthcare division of Eschmann, joined the company in April 1983 as director and general manager of the equipment division, a part now taken by Mr Fred Meek, previously commercial manager of that division.

HONEYWELL INFORMATION SYSTEMS has appointed Mr Terry Christy the director of its new integrated services division. Mr Christy, who has been London region manager of Honeywell's commercial construction division for the past two years, takes up his new post February 15.

JOHN LAING has announced the formation, within John Laing Construction, of LAING MECHANICAL CONTRACTORS.

ANICAL CONSTRUCTION SERVICES has a specialised activity to further develop and expand their activities in mechanical engineering. Mr Oliver Whitehead, a director of John Laing, becomes chairman and Mr Nigel Pitcher has been appointed managing director.

Mr T. R. Keens has been appointed a non-executive director of HOMES COUNTIES NEWSPAPERS HOLDINGS and of HOMES COUNTIES NEWSPAPERS. He was for many years a senior partner in Keens Shays Keen & Co., the company's auditors, until his retirement.

BUCKRAMS has appointed Mr Paul Sheket to their board. He was commercial director at the Institute of Chartered Accountants in England and Wales.

Mr Peter Alliss, chief mining engineer of the National Coal Board's North Yorkshire area, has been elected national president of the INSTITUTION OF MINING ENGINEERS.

JOHN LAING has announced currently with Shell International Petroleum Co, has been appointed director general of

the BRITISH RED CROSS SOCIETY to succeed Mr D. J. Pilkington, who retires in September.

DUNCAN C. FRASER & COMPANY, consulting actuaries, has appointed Mr Peter Felton as joint senior partner and Mr Martin Moule has become a partner.

BUCKRAMS has appointed Mr Paul Sheket to their board. He was commercial director at the Institute of Chartered Accountants in England and Wales.

HARRIS & DIXON (Insurance Brokers), Lloyds' brokers, has appointed Mr. A. Gordon as chairman. Mr. M. W. P. Pownall becomes president and Mr. D. P. Dosey remains chief executive.

Mr David E. Owen, Clarkson Puckle & Tiley, Bradford and Mr Greg F. Smith, Clarkson Puckle North West, Ashton-under-Lyne, have been appointed to the board of CLARKSON PUCKLE UK.

Three appointments have been made by J. D. WILLIAMS. Mr Harry E. Whitechurch joins as operations director. He was distribution manager for Haliford. Mr Alan White joins as finance director of J. D. Williams and company secretary of N. Brown Investments, the parent company. Mr White was with Arthur Anderson, prior to joining Sharp Electronics UK as general manager, finance. The third appointment gives promotion to Mr Iain MacFarlane, formerly com-

puter manager.

Sir Charles Troughton, at present a vice-chairman, has been appointed deputy chairman and Mr George Cragg, at present group managing director, has in addition been appointed a vice-chairman of WILLIAM COLLINS.

Mr John Coleman has become a managing director of Doyle & Partners, CHAS BARKER GROUP, specialist "below-the-line" company. He joins from the board of Doyle Dane Bernbach.

Mr Ian Cochran has been appointed joint managing director of FITCH & COMPANY DESIGN CONSULTANTS. He was financial director.

Mr J. R. Gleedhill has resigned as chairman of executive and director of THOMAS MARSHALL (LOXLEY), and Mr R. D. Hart has been appointed chairman.

ORCHARD FOOD HOLDINGS, Chelmsford, has appointed Mr Jim Fyfe to the board as finance director. He was finance director at Cordon Bleu, the Argyl group's frozen centre operation.

Mr Brian Hayden, currently systems and administration director of HENRY WIGFALL AND SON, has been appointed operations director with additional responsibilities for retail activities, personnel matters and service. Mr David Aman as marketing and merchandise director takes additional responsibilities for distribution and property.

WARNER LAMBERT (UK) has appointed Dr Robin Klingenberg as medical director with a seat on the board.

Mr Denis Coates from group export director to divisional sales and marketing director for the accessories division.

Following the retirement of Mrs N. B. Marchie from the board Mr Eric Pountney becomes deputy chairman of BEATTIES.

Mr Keith N. T. Holland and Mr Malcolm J. Higgs have joined DAVIS INTERNATIONAL BANKING CONSULTANTS as executive directors to establish a centre for human resources development. Mr Peter E. Allen, an existing executive director, has been appointed deputy managing director. Mr Holland

Redemption Notice

Electricity Supply Commission

(South Africa)

9 1/4% Guaranteed Floating Fund Debentures Due 1989

NOTICE IS HEREBY GIVEN, pursuant to the Fiscal Agency Agreement dated as of March 1, 1974 under which the above described Bonds were issued, that Citibank, N.A., as Fiscal Agent, has selected for redemption on March 1, 1985 \$1,500,000 principal amount of said Bonds at the redemption price of 100% of the principal amount thereof, together with accrued interest to March 1, 1985. The serial numbers of the Bonds selected for redemption are as follows:

BOND NUMBERS

6 941 2624 4128 3875 6474 7404 9495 9240 11017 11522 12068 13197 13771 14268
12 1003 2625 4130 3876 6475 7405 9496 9241 11018 11523 12069 13198 13772 14269
18 1043 2626 4134 3877 6476 7406 9497 9242 11019 11524 12070 13199 13773 14270
24 1046 2628 4136 3878 6477 7408 9498 9243 11020 11525 12071 13200 13774 14271
30 1052 2631 4144 3879 6478 7409 9499 9245 11021 11526 12072 13201 13775 14272
36 1058 2632 4145 3880 6479 7410 9500 9246 11022 11527 12073 13202 13776 14273
42 1124 2637 4149 3881 6480 7411 9501 9247 11023 11528 12074 13203 13777 14274
52 1120 2638 4157 3882 6481 7412 9502 9248 11024 11529 12075 13204 13778 14275
58 1125 2639 4158 3883 6482 7413 9503 9249 11025 11530 12076 13205 13779 14276
64 1126 2640 4159 3884 6483 7414 9504 9250 11026 11531 12077 13206 13780 14277
70 1127 2641 4160 3885 6484 7415 9505 9251 11027 11532 12078 13207 13781 14278
76 1128 2642 4161 3886 6485 7416 9506 9252 11028 11533 12079 13208 13782 14279
82 1129 2643 4162 3887 6486 7417 9507 9253 11029 11534 12080 13209 13783 14280
88 1130 2644 4163 3888 6487 7418 9508 9254 11030 11535 12081 13210 13784 14281
94 1131 2645 4164 3889 6488 7419 9509 9255 11031 11536 12082 13211 13785 14282
100 1132 2646 4165 3890 6489 7420 9510 9256 11032 11537 12083 13212 13786 14283
106 1133 2647 4166 3891 6490 7421 9511 9257 11033 11538 12084 13213 13787 14284
112 1134 2648 4167 3892 6491 7422 9512 9258 11034 11539 12085 13214 13788 14285
118 1135 2649 4168 3893 6492 7423 9513 9259 11035 11540 12086 13215 13789 14286
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130 1137 2651 4170 3895 6494 7425 9515 9261 11037 11542 12088 13217 13791 14288
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142 1139 2653 4172 3897 6496 7427 9517 9263 11039 11544 12090 13219 13793 14290
148 1140 2654 4173 3898 6497 7428 9518 9264 11040 11545 12091 13220 13794 14291
154 1141 2655 4174 3899 6498 7429 9519 9265 11041 11546 12092 13221 13795 14292
160 1142 2656 4175 3900 6499 7430 9520 9266 11042 11547 12093 13222 13796 14293
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190 1147 2661 4180 3905 6504 7435 9525 9271 11047 11552 12098 13227 13801 14298
196 1148 2662 4181 3906 6505 7436 9526 9272 11048 11553 12099 13228 13802 14299
202 1149 2663 4182 3907 6506 7437 9527 9273 11049 11554 12100 13229 13803 14300
208 1150 2664 4183 3908 6507 7438 9528 9274 11050 11555 12101 13230 13804 14301
214 1151 2665 4184 3909 6508 7439 9529 9275 11051 11556 12102 13231 13805 14302
220 1152 2666 4185 3910 6509 7440 9530 9276 11052 11557 12103 13232 13806 14303
226 1153 2667 4186 3911 6510 7441 9531 9277 11053 11558 12104 13233 13807 14304
232 1154 2668 4187 3912 6511 7442 9532 9278 11054 11559 12105 13234 13808 14305
238 1155 2669 4188 3913 6512 7443 9533 9279 11055 11560 12106 13235 13809 14306
244 1156 2670 4189 3914 6513 7444 9534 9280 11056 11561 12107 13236 13810 14307
250 1157 2671 4190 3915 6514 7445 9535 9281 11057 11562 12108 13237 13811 14308
256 1158 2672 4191 3916 6515 7446 9536 9282 11058 11563 12109 13238 13812 14309
262 1159 2673 4192 3917 6516 7447 9537 9283 11059 11564 12110 13239 13813 14310
268 1160 2674 4193 3918 6517 7448 9538 9284 11060 11565 12111 13240 13814 14311
274 1161 2675 4194 3919 6518 7449 9539 9285 11061 11566 12112 13241 13815 14312
280 1162 2676 4195 3920 6519 7450 9540 9286 11062 11567 12113 13242 13816 14313
286 1163 2677 4196 3921 6520 7451 9541 9287 11063 11568 12114 13243 13817 14314
292 1164 2678 4197 3922 6521 7452 9542 9288 11064 11569 12115 1324

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gains with the long-term
protection of gold.

security of gold
The spectacular rise of the dollar and of many paper investments has brought substantial profits. The wisest investors now convert part of their gains into Krugerrands.

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Continued on Page 2

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, February 8

Continued on Page 22

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise

a-dividend also extra(s). b-annual rate of dividend plus stock dividend, c-liquidating dividend, d-new year only now, e-dividend declared or paid in preceding 12 months, g-dividend in Canadian funds, subject to 15% non-residence tax, i-dividend declared after split-up or stock dividend, j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting, k-dividend declared or paid this year, an accumulative issue with dividends in arrears, n-new issue in the past 52 weeks. The high-low range begins with the start of trading, nd-next day delivery, P/E-price-earnings ratio, r-dividend declared or paid in preceding 12 months, plus stock dividend, s-stock split. Dividends begins with date of split, ss-sales, t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date, u-new yearly high, x-trading halted, w-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies, wd-when distributed, wi-when issued, ww-with warrants, x-ex-dividend or ex-rights, xds-ex-distribution, xw-without warrants, y-ex-dividend and sales in full, yd-yield, z-sales in full.

WORLD STOCK MARKETS

OVER-THE-COUNTER

Indices

NEW YORK

DOW JONES

					1984-85	Since Comp		
Feb. 9	Feb. 7	Feb. 5	Feb. 5	Feb. 4	High	Low	High	Low
Industr'lts	1228.57	1220.88	1220.56	1225.25	1220.88	1222.52	1222.92	41.75
					(22/1/85)	(14/7)	(23/1/85)	(2/7)
H'me Ends	73.99	74.06	74.21	74.06	74.13	74.47	64.81	
					(80/1/85)	(21/6)		
Transport.	530.09	526.22	517.14	526.11	519.46	528.09	444.88	630.09
					(3/2/85)	(5/7)	(8/2/85)	13.75
Utilities	150.80	150.75	149.98	149.88	149.57	150.88	122.25	165.73
					(16/2/85)	(16/8)	(23/4/85)	10.75
TradingVol	000-1	116.46	161.78	140.88	143.90	115.72	—	—

4Days High 1297.15 (1997.04) Low 1281.56 (1278.81)
Feb. 1 Jan. 25 Jan. 16 year ago upp
Institutional 1297.15

Industrial div. yield %	4.72	4.72	4.91	4.55					
STANDARD AND POORS	1964-65			Since Comp					
	Feb. 8	Feb. 7	Feb. 6	Feb. 4	High	Low	High	Low	
Industrial -	203.80	203.23	201.65	202.01	201.94	205.80	181.74	205.88	181.35
	(62.65)	(54.7)				(52.92)	(35.8)	(52.92)	(35.8)
	181.82	180.45	180.61	180.55	180.18	147.45	124.18	181.18	4.6

Comp's'te 182.19 191.89 180.43 180.61 180.35 182.19 147.82 182.18 4.6
(8/2/95) (24/7) (8/2/95) (1/1/95)

	Jan. 25	Jan. 15	Jan. 9.	year ago (approx.)
Industrial div. yield	3.85	4.00	4.15	3.76
Industrial P/E ratio	11.14	10.71	10.51	15.49
Long Gov. Bond yield	11.19	11.51	11.40	11.84

W.Y.S.E. ALL COMMON **Rises and Falls**

TORONTO	FED.	PER.	PER.	PER.	PER.	Higg	Low
	8	7	6	5			

Friday	Stocks traded	Closing price	on day	Friday	Stocks traded	Closing price	on day
Phillips Pet	3,539,200	59 ¹ / ₂	+ ¹ / ₂	ITT	1,310,400	33 ¹ / ₂	+ ¹ / ₂
Uncle	2,620,000	42 ⁷ / ₈	+1	Seaway	1,197,200	31 ¹ / ₂	+ ¹ / ₂
ATT	2,141,800	21 ¹ / ₂	- ¹ / ₂	Tenneco	1,194,800	58	+ ¹ / ₂
K Mart	1,802,000	36 ¹ / ₂	- ¹ / ₂	Exxon	1,130,200	47 ¹ / ₂	+ ¹ / ₂
Bankamerica	1,318,900	18 ¹ / ₂	- ¹ / ₂	Fannie Mae	1,113,100	18 ¹ / ₂	+ ¹ / ₂

regret that due to communications problems this message is incomplete.

Here's how our corporation is structured.

Friendship. Fairness. Honor. These are the principles that guide all our relationships and business transactions. The strong codes of our Islamic heritage have been pivotal in attracting business partners from around the globe. Our word is our bond. Our partners in the United States, Germany, Japan, the Netherlands and Scandinavia, among others are

They are also aware that Saudi Arabia is one of the lead-

Sumitomo is one of the leading suppliers of petrochemicals to the world. After all, if the refining process is performed at the source, using state-of-the-art technology, the result is bound to be products of the highest quality.

We offer the buyer of petro-chemicals the benefits of buying from the source. We offer our partners the opportunity to

work with a world class organization toward progress and mutual profit. To both we offer our code of honor.

SABIC



World Class Petrochemicals
World Wide Cooperation.

Saudi Basic Industries Corporation
P.O. Box 5101, Riyadh 11422, Saudi Arabia
Telex: 201177 SABIC SJ

THERMODYNAMIC STUDIES

AUTHORISED UNIT TRUSTS

Authorised Unit Trusts, Mgmt. (a)

133.00000000000001

High Income

Gen & Fund Trst

Worldwide Bond

Capital Growth

Assured Growth

Aviva S & T's Trst

Commons & Fds

Income Fund

US Govt

US Corp

Feudal Prop

Airtex Units

30. Corp Bond, EC11 2AY

American Fds Fd

Facit Fd

Standard Fd

Small Corp Fd

American Asset

Small Corp Asset

Joe. Technology

74.0 -0.3 6.0

Allied Unit Trusts Limited (a)(b)

Allied Hand & Home, London, December, 1980

Brundell Trusts and Income Trusts

First Fd

Global S & T Trst

Global Bond

Balanced Fd

Assured Income

America Income

High Income Fds

High Div Fds

Information Trusts

Investment Fd

Investment Fund

Financial Times Monday February 11 1985

INDUSTRIALS—Continued

INVESTMENT TRUSTS—CONT.

MINES—Continued



U.S.\$20,000,000
Bearer Depositary Receipts
representing undivided interests in a
Floating Ratio Deposit finally due 1986

C.A. Cavendes
Sociedad Financiera

(Incorporated with limited liability in the Republic of Venezuela)
evidenced by consecutive three month Certificates of Deposit

Notice is hereby given pursuant to the
Terms and Conditions of the Bearer Depositary Receipts
(the "BDRs") that for the three months from
11th February, 1985 to 13th May, 1985
the BDRs will carry an interest rate of 9 1/4% per annum.
On 13th May, 1985 interest of U.S.\$24.01 will be
due per U.S.\$1.00 BDR and U.S.\$24.14 due
per U.S.\$1.00 BDR for Coupon No. 23.

European Banking Company Limited
(Agent Bank)

11th February, 1985

U.S.\$42,000,000

Short-term Guaranteed Notes
issued in Series under a
U.S.\$280,000,000
Note Purchase Facility
by

Mount Isa Mines
(Coal Finance) Limited

Notice is hereby given that the above Series of Notes issued under a Production Loan and Credit Agreement dated 30th March, 1983 carry an Interest Rate of 8 1/4% per annum. The Issue Date of the above Series of Notes is 13th February, 1985 and the Maturity Date will be 13th August, 1985. The Euro-clear reference number for this Series is 11561 and the CEDEL reference number is 576298.

Manufacturers Hanover Limited
Issue Agent

11th February, 1985

Series 023

Forward Trust DEPOSIT RATES

Depositors are advised that with effect from February 12th 1985 the following rates will apply to deposit accounts with Forward Trust Limited.

Notice of withdrawals: 7 days* 1 month 3 months 6 months 12 months

Deposits of £1-£30,000 11.00% 12.00% 12.25% 12.375%

*Applies to existing deposits only. New deposits at 7 day notice are not accepted.

FORWARD TRUST GROUP

A member of Midland Bank Group

For further information apply to: Forward Trust Limited, Deposit Department, 12 Calthorpe Road, Birmingham B15 1QZ, telephone: 021-454 644.

This advertisement complies with the requirements of the Council of the Stock Exchange and does not constitute an offer of, or invitation to subscribe for or purchase, any securities.

U.S.\$200,000,000 IBM Credit Corporation

(Incorporated under the laws of Delaware, U.S.A.)

Extendable Notes Due March 1, 2000

The following have agreed to purchase the Notes:

Salomon Brothers International Limited

Credit Suisse First Boston Limited

Morgan Guaranty Ltd

Bank Nationale de Paris

Bank Paribas

Commerzbank Aktiengesellschaft

Crédit Lyonnais

Deutsche Bank Aktiengesellschaft

LTCB International Limited

Swiss Bank Corporation International Limited

Application has been made to the Council of the Stock Exchange for the Notes to be admitted to the Official List.

Interest on the Notes is payable annually on March 1, commencing March 1, 1986. Listing Particulars relating to IBM Credit Corporation and the Notes are available in the Exteil Statistical Service and copies may be obtained during usual business hours up to and including February 13, 1985 from the Company Announcements Office of the Stock Exchange and up to and including February 25, 1985 from:

Cazenove & Co.
12, Tokenhouse Yard,
London EC2R 7AN

February 11, 1985

National
Westminster
Bank PLC

NatWest announces that
with effect from
Monday, 11th February, 1985,
its Branch Standard Rate
is increased from
21% to 24%

(Branch Standard Rate is charged on
borrowings arising without arrangement)

41 Lothbury London EC2P 2BP

CURRENCIES, MONEY and CAPITAL MARKETS

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR
\$1m points of 100%

Close High Low Prev
March 50.57 50.63 50.53 50.52
April 50.57 50.63 50.53 50.52
Sept. 50.41 50.48 50.39 50.32
Dec. 50.55 50.60 50.51 50.50
Estimated volume 7,452 (5,362)
Previous day's open Int. 14,559 (14,327)

THREE-MONTH STERLING
\$250,000 points of 100%

Close High Low Prev
March 57.45 57.57 57.57 57.57
April 57.55 57.64 57.59 57.59
Sept. 58.13 58.00 58.53 58.22
Dec. 58.85 58.90 58.91 58.90
Estimated volume 2,544 (2,485)
Previous day's open Int. 5,727 (5,621)

20-YEAR 12% NOTIONAL GILT
\$250,000 32nds of 100%

Close High Low Prev
March 50.26 50.40 50.12 50.05
April 50.28 50.42 50.14 50.07
Sept. 50.40 50.52 50.25 50.18
Dec. 50.50 50.55 50.30 50.25
Estimated volume 2,802 (2,265)
Previous day's open Int. 5,203 (5,136)

U.S. TREASURY BONDS (CBT)
\$1m 300s 32nds of 100%

Close High Low Prev
March 51.82 51.87 51.77 51.75
April 51.82 51.87 51.77 51.75
Sept. 51.82 51.87 51.77 51.75
Dec. 51.82 51.87 51.77 51.75
Estimated volume 1,024 (926)
Previous day's open Int. 14,559 (14,327)

U.S. TREASURY BILLS (MMB)
\$1m points of 100%

Close High Low Prev
March 51.77 51.82 51.77 51.75
April 51.77 51.82 51.77 51.75
Sept. 51.77 51.82 51.77 51.75
Dec. 51.77 51.82 51.77 51.75
Estimated volume 2,544 (2,485)
Previous day's open Int. 5,727 (5,621)

U.S. TREASURY BILLS (MMB)
\$1m 300s 32nds of 100%

Close High Low Prev
March 51.77 51.82 51.77 51.75
April 51.77 51.82 51.77 51.75
Sept. 51.77 51.82 51.77 51.75
Dec. 51.77 51.82 51.77 51.75
Estimated volume 2,544 (2,485)
Previous day's open Int. 5,727 (5,621)

U.S. TREASURY BILLS (MMB)
\$1m 300s 32nds of 100%

Close High Low Prev
March 51.77 51.82 51.77 51.75
April 51.77 51.82 51.77 51.75
Sept. 51.77 51.82 51.77 51.75
Dec. 51.77 51.82 51.77 51.75
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\$1m 300s 32nds of 100%

Close High Low Prev
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SECTION III

FINANCIAL TIMES SURVEY

Kuwait

In addition to the squeeze on oil prices, plus the aftermath of the crash of the Souk al Manakh stock exchange, Kuwait in election year is also faced with a major war on its borders and a powerful neighbour calling for Islamic revolution.

Fresh mood of realism

THE AGE of plenty is over, at least temporarily, for the hereditary monarchies of the Gulf. After more than a decade of hectic growth and mounting financial surpluses, budgets are beginning to show deficits. Little more than 15 per cent of the industrialised world's oil requirements now pass south through the Strait of Hormuz.

Gatherings of Ministers from the Organisation of Petroleum Exporting Countries increasingly take on the appearance of a squabbling crew uncertain about how to keep the once buoyant ship afloat. Hotels, where executives once treasured a chair in the lobby for the night, now offer discounts to tempt the customers. Rents are tumbling from their Manhattan peaks and shops lie empty in magnificently marbled shopping malls.

It is all still relative, of course. If Kuwait was a company it would be still trading profitably but as a one-product concern it would also be attracting the attention of the bears and of those shareholders who suspected that some members of the board had not yet appreciated the changed trading circumstances.

Oil revenues have, more than halved since the 1979-80 financial year and few people, even in the perennially optimistic Gulf, see grounds for predicting any rapid resurgence of demand. On the contrary, it is considerably easier to find oil market analysts who predict a further softening of prices.

To those anxieties common to all oil producers, the authorities in Kuwait have to add the intermittent threat to its supply lines posed by the air-strikes against tankers in the Gulf and the wider political disturbances created by the next-door war which struck in and around

By ROGER MATTHEWS
Middle East Editor

between Iran and Iraq, now well into its fifth year.

As a cautious but financially committed supporter of Iraq, Kuwait has suffered its moment of alarm. First, because of the one-time genuine fear that Iraq might score a decisive breakthrough in the southern sector close to the Kuwaiti borders, and second, because of the impact of the fighting and the Iranian revolution on Kuwait's own substantial Shia Moslem community, co-religionists of Ayatollah Khomeini.

The risk of an Iranian military victory has now almost receded, but the bomb wave

underlined the determination of the country's enemies.

It is also suggested to some Kuwaitis that an Iraq with blunted teeth might be looking for softer nuts to crack. However few fissures have appeared in the solid nationalist front of the Kuwaiti Shiites and like their brothers in Iraq they much prefer to regard Khomeini as a Pope rather than a political leader.

Those who dissent from that view and have been identified by the security services are among the thousands who have been deported from Kuwait in the past two years.

The potent combination of a major war on its borders, a massively more powerful neighbour preaching Islamic revolution and a determined squeeze on the price of its sole exportable commodity, should have signalled a period of intense caution in Kuwait.

Instead, it launched itself into the most spectacularly ill-founded stock exchange ever seen in the capital; the world has seen. The full cost to the nation of the \$92bn worth of port-dated and largely valueless cheques which eventually emerged has yet to be assessed. The technical unscrambling of the myriad chains of debt has substantially been completed but the fate of the largest debtors has still to be decided. Meanwhile, attempting to assess the net worth of many companies and individuals remains a largely academic exercise.

The Government has undertaken what amounts to a massive nationalisation programme and is now the majority shareholder in nearly half the quoted companies on the official stock exchange. It injected over \$20bn into the market to stabilise share prices but convinced no one. Most expatriate advisers working for Kuwaiti financial institutions appear to



Aware of the risks ahead: Shaikh Jaber Al-Ahmad Al-Sabah, Kuwait's ruler, who came to power in January, 1978

believe that values still have some distance to fall before buyers begin to appear.

Just as when the market was surging ahead no one believed it could peak, so today when it is falling no one appears to think that it has reached the bottom.

What some analysts fear is that the moment a psychological barrier is breached all Kuwaitis with liquid funds will simultaneously turn into buyers and

In this Survey

The political scene: views differ on the meaning of democracy	2
Political profiles: warm-up for the elections	2, 3
The economic downturn: confidence has been shaken	4
Oil industry: market slide continues	5
Gas industry: new moves to offset shortages	6
Banking: tough strategies for harsher climate	7
Souk al Manakh: aftermath of the crash	7
The new stock exchange: time to return to fundamentals	8
Women's role in society: hesitation over breaking social codes	8
Business guide: tips for overseas visitors	9
The armed forces: worries for defence planners	10
Foreign policy: a nightmare scenario	10

the pendulum will again swing uncontrollably upwards.

"The urge to save very large sums of money with very little effort is endemic in this country. No one will remember in a few months or years about the last disaster. The temptation will be just too great unless far stricter regulations are imposed and policed by the authorities."

This comment by a Western banker is not shared by some Kuwaitis who believe that lessons have been learned and that most who have lost everything will stand like wrecked cars by the side of the motorway to remind the reckless.

Priming the financial pump

However, the cost to the national exchequer continues and the Government may have to repatriate several more billions of dollars more before it succeeds in re-establishing confidence, or as one banker put it, "primes the pump without turning it into a gusher."

The crash of the Souk al-Manakh stock exchange should be the main domestic issue in the elections for the National Assembly to be held later this month. Kuwaitis are proud of their limited democracy and the power of the National Assembly to veto some government legislation and to approve laws which Ministers oppose.

Political parties are not permitted but "tendencies" are easily visible with a few men emerging during the life of a parliament as the principal leaders of the opposition. In the Assembly, just ended, it was the Islamic fundamentalists, for whom all issues were viewed in relation to the teachings of the Koran. They proved to be a thorn in the Government's side.

This is all part of the broader argument about what sort of future the \$60,000 Kuwaiti nationals should be creating for themselves and how best the new generation better educated

cause of any challenges they throw down to the Government on secular issues.

This situation is likely to be reversed after the votes are counted later this month. It is widely expected that the fundamentalists will do badly and their role will be taken over by candidates inspired by the Arab nationalism of the late 1950s and 1960s.

The Nationalists want both a wider electoral franchise and far more profound debate on the country's economic future. While accepting that the Emir, as head of state, is above the political fray, they do not hide their belief that part of the royal circle would like to diminish the powers of the National Assembly in order to continue running Kuwait as primarily a family business.

The temptation may well become greater for these people if the economy does not show clear signs of reviving during the latter part of this year. Some politicians are already warning that unless the Government acts now to cut expenditure further and, more importantly, accepts the need to reduce the inflated level of expectations created by the cradle-to-the-grave welfare state, it could face far more explosive political decisions later.

They are also deeply concerned at Kuwait's apparent acceptance of the need for Emir expatriation whom they describe as an excessive claim on the country's resources and account for more than 60 per cent of the expenditure of several key Ministries.

"We must, as a nation, learn both the value of money and a sense of civil responsibility," said a member of a leading business family. "Otherwise we are going to turn into another Monte Carlo, but just with the casino. And the most ridiculous thing is that the gamblers there are trying to bankrupt the house in which they live."

and more widely travelled, can be absorbed into the fabric of the state. Wider popular participation in Government is certainly one way and has the additional benefit of involving more people in what some Kuwaitis fear are bound to be unpopular decisions.

It might also help to create a greater sense of personal responsibility in a country where the safety net of paternalistic government catches both the very idle and the speculatively reckless.

Sophisticated and tolerant

Kuwaitis tend to see themselves as the most sophisticated, cosmopolitan and tolerant people of the Gulf with a broadly benevolent form of government, a diverse press and an acute business sense. When coupled to an almost inexhaustible natural resource that costs virtually nothing to extract it is small wonder that even those most critical of Kuwait's leadership should describe themselves as living in a sort of paradise.

But that appreciation is made only in order to emphasise the risks that lie ahead. Kuwait cannot afford financially or politically another Souk al-Manakh if public confidence is to be maintained in the present system of government and the country is to retain a broad degree of international respect.

"We must, as a nation, learn both the value of money and a sense of civil responsibility," said a member of a leading business family. "Otherwise we are going to turn into another Monte Carlo, but just with the casino. And the most ridiculous thing is that the gamblers there are trying to bankrupt the house in which they live."

Trade Finance: A Tradition at NBK



After three centuries' experience, trade is first nature to Kuwait.

Rich in oil as it is, Kuwait nonetheless imports more than 80% of its needs of goods and services. Trade on a large scale is, indeed, vital to the nation, and to all other countries in the region.

At the heart of this activity is The National Bank of Kuwait.

Since 1952, the Bank has been closely associated with the country's development. Today with total assets in excess of U.S.\$ 10 billion, it is Kuwait's oldest and largest bank: its expertise in the financial aspects of international trade is second to none.

We are now financing trade around the globe, around the clock, through our full service branches in New York, London and Singapore and in our subsidiaries in Paris and Bahrain.

If you are interested in trade with Kuwait or the Arab world, talk to us first at:

Kuwait - Head Office
The National Bank of Kuwait S.A.K.
P.O. Box 95 Safat, Kuwait
Telephone: 2463334/422011
Telex: 44653/44836 NATBANK KT.

London
The National Bank of Kuwait S.A.K.
Licensed Deposit Taker
99 Bishopsgate, London EC2M 3XL
Telephone: 01-920 0262
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Kuwait 2

Views differ on meaning of democracy

THERE IS no agreement in Kuwait on what democracy should mean. To some it represents little more than a form of consultation, a confirmation of decisions already reached or of policies already formed. Others see it essentially as a channel for exercising influences, as a means for personal enrichment and for the advancement of families and friends.

A further group believes that it should be a process through which a growing section of the population have the right, through their elected representatives, to initiate and approve legislation.

Yet another group would like to extend democracy to the point where it alone is responsible for the selection of government, if not the head of state. Elements which have been particularly vociferous over the past four years want democracy to be the path along which the people rediscover the basic tenets of Islam and order their lives accordingly.

On February 20, the 56,848 Kuwaiti men who have the right to vote in a general election will select 50 of their number to represent them in the National Assembly. Reselection, an issue all too well-known within the British Labour Party, is very much a part of Kuwaiti political life.

"If our member of the National Assembly is thought not to have done well, then we kick him out," said a member of a prominent family. "We also have a system not unlike the American primaries where several candidates compete against each other to see who will finally run for the Assembly."

Challenges are also mounted to the dominance of a particular tribe in a constituency through caucuses attended by representatives of ten or a dozen small families. At those meetings they attempt to select a single agreed candidate who might stand a good chance of at least splitting the two majority candidates.

It is within the urban constituencies that the more genuinely political contests take place with candidates being identified as much by their attitudes to major issues as by their family affiliations. The absence of political parties intensifies the role of individuals who anyway are in a position to be known personally to each member of their constituency electorate. The largest of Kuwait's electoral districts has 3,800 voters, the smallest 1,317.

Nevertheless, even in some of the more rural constituencies where the candidate is virtually appointed by the head of the tribe or family, the younger generation is breaking through. Graduates are starting to be shown as candidates and some politicians predict that in the course of the next decade this group will become steadily less predictable.

By predictable they mean that the ruling family and the Government will be less assured of their virtually unquestioning support.

The power brokers within these constituencies are also

Political scene

ROGER MATTHEWS

becoming more aware of the quality of candidate needed to be successful in the National Assembly. Reselection, an issue all too well-known within the British Labour Party, is very much a part of Kuwaiti political life.

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biggest impact is the last election—the Islamic fundamentalists—is composed of differing views who, for convenience, may choose to explain their attitudes in relation to Khaled Sultan, the man who did most to stir Kuwaiti emotions during the life of the last National Assembly.

Viewed objectively it was a small-enough issue, sparked off by unrepresentative students and responded to by a man who had previously fallen foul of the Saudi Arabian authorities for his pronouncements. Yet it proved a convenient stick with which to beat the fundamentalists who, in the absence of any other significant opposition grouping, had become the main thorn in the Government's flesh.

Few of the fundamentalists doubt that the Government will be doing all within its power to ensure their electoral defeat, spurred on by other regional and international forces. In the 1981 election, Khaled Sultan secured only a

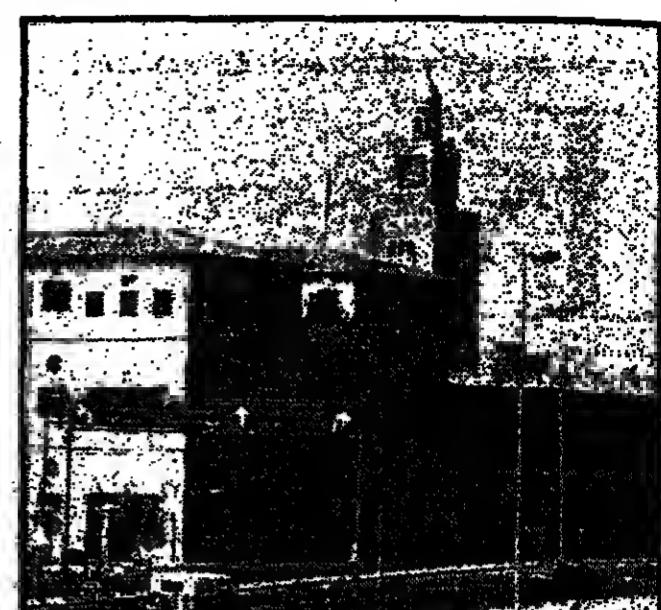
four-vote margin over the third-place candidate in his constituency, and was already highly vulnerable.

That same election witnessed the defeat of the "nationalist" forces headed by Dr Ahmed Al-Khatib who now looks set to make a return to the Assembly.

Man of vision

Dr Khatib's long history of political involvement in Kuwait makes him one of the country's best-known public figures and one who is capable of attracting loyalty among the young and more radical elements of the electorate.

He is also a man who has a clear political vision and will use his campaign on issues as much as on personalities. Dr Khatib has no doubt that his re-election will be strongly supported by the authorities whom he accuses of having manipulated his defeat in the last round of voting.



A section of the Sief Palace in Kuwait. The constitution prescribes that Kuwait is a fully independent Arab state, with a democratic form of government. The legislative authority is invested in the Amir.

Independent candidate's view of share price levels

A sharp critic of the Government

PROFILE: Jassim Mohammed Al-Kharafi, member of the Kuwait National Assembly and chairman of the Finance and Economy Committee.

Mr Kharafi is running for re-election to the National Assembly as an independent and claims that political labels have little significance. In fact, he says, "anything here is based on personal contact." A member of one of Kuwait's oldest-established and affluent families, Mr Kharafi considers himself a representative of the state's "silent majority" and advocates "balanced" policies.

The greatest furor, however, erupted last year when a group of students wrote to the blind Saudi Arabian religious leader, Sheik Abdul Aziz bin Baz for a ruling on the separation of the sexes at university. It was Bin Baz who, in 1966, rejected the theory that the earth rotated around the sun.

"The earth is fixed and stable, spread out by God for his man kind... and fixed down firmly by mountains lest it shake," he declared.

Anyone who believed otherwise was guilty of " falsehood toward God, the Koran and the Prophet." Bin Baz duly replied to the students, predictably insisting that the sexes should be kept apart at university.

"As it is, Souk al-Manakh

may now be almost finished as a problem in one sense, but we are still not really accepting the reality."

The fastest way to reality, according to Mr Kharafi, would be for the Government to abandon its attempts to shore up share price levels.

By injecting funds, the Government creates a false impression of market buoyancy.

This sooner the market hits real bottom, the better it will be.

However, Mr Kharafi says that Kuwait's international standing must not be damaged

fallout from Souk al-Manakh.

The outside world had to be fully aware that the Government of Kuwait would underwrite the obligations of institutions with external commitments.

As such, he is sharply critical of the Government's handling of the Souk al-Manakh crisis and its failure to act promptly when share dealing began to get out of hand.

"The Government allowed

the situation to drag on and gave the impression that all Kuwaiti people were involved in the situation, which was just not the case. If the Government had been wise it would have allowed some people and some companies to have become bankrupt and to have faced reality.

"As it is, Souk al-Manakh

is thing to do next. A five-year plan tends to be completed in the first 18 months. And the problem has been made far worse by the lack of a competent jockey to control the share price levels.

Mr Kharafi argues that the appearance of a budget deficit would prove beneficial to the

Ministry of Education and

asserted that only 35 per cent

of its expenditure was for the benefit of Kuwaiti nationals.

The figure for Health was even lower at about 30 per cent.

"We must reconsider this situation which is created so much activity and so many facilities at the expense of the people. And we must remind ourselves that the more we bring in the more it is going to cost us."

Mr Kharafi is also critical of the public sector's burgeoning wages and salaries bill and the lack of motivation provided for people to work in the private sector. The budget as presently constructed was, he asserted, just a "spending Budget. It provides no motivation at all for additional activities." To this end, he would like to see Government employees able to take on additional

and with Gulf Oil retailing additional jobs, provided that there was no conflict of interest.

At the same time, Kuwait During the past decade increases in wages had been due solely to the rise in oil revenues — "The Government just spread the money around without any thought for the future."

Difficulties

Now that all revenue had stopped rising it was vital for the Government to reverse the trend of steadily rising expectations, he said.

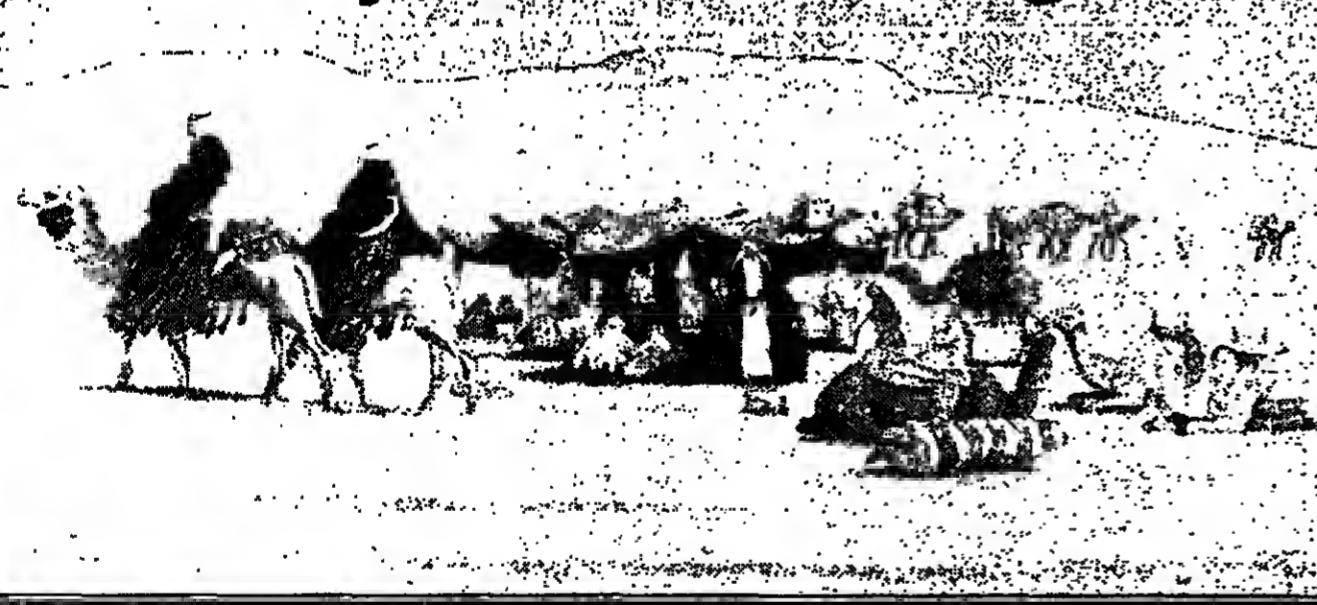
"I accept that, politically, it will be very difficult to make this change, but we have to start preparing for it now. A 1,000-mile journey starts with a single step and we have not even moved the first inch."

"We must let it get to the critical stage and risk the choice between everlasting budget deficits or rises in the prices. It is essential that we do not attempt to fool all of the people all of the time."

Mr Kharafi believed that the teachings of Islam could prove a positive way of motivating the population, provided they are correctly interpreted.

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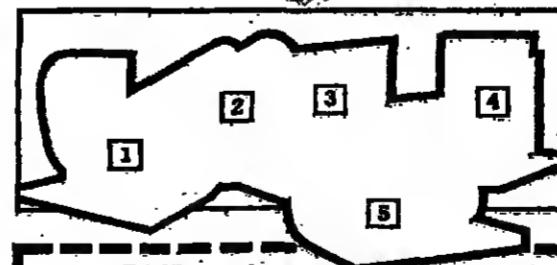
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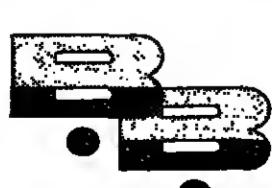
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POLITICAL VIEWPOINTS: ISLAMIC LIBERALS AND THE FUNDAMENTALISTS

Working towards more flexibility

PROFILE: Ismail Al-Shatti, Editor of *Mushtakha* magazine, board member of the Social Reform Society and director of the Institute of Applied Technology.

Although often described as a leading Muslim fundamentalist, Mr Shatti rejects the label.

"I think of myself as an Islamic liberal," he says. "Within the Islamic current there are like other movements, certain tendencies. There are those who might be called fanatics, others who are realists and still more who might be described as the right."

"For example, the fanatics believe that the Koran provides not just principles but also the details of life. They do not see any need to tailor the principles to modern life and the present century in which we live."

"I also believe in the principles set out in the Koran but I believe that the details have to reflect modern society."

"For example, as a liberal I see nothing in our religion which dictates that a woman should stay indoors. A woman is just as responsible as a man when it comes to the day of judgment. Women should therefore enjoy equal rights."

However, Mr Shatti's beliefs do not prevent him working

politically with co-religionists who refuse to shake hands with women and are bitterly opposed to them being granted any wider role in society.

He argues that the very fact of working together politically will temper the extremists' views. Mr Shatti claims close personal knowledge of this process.

"Ten years ago I was among the most extreme of all fundamentalists—very, very extreme. Then I went to Cairo to study and immediately began to develop, once I had left the isolation of my group. I then went on to complete my masters' degree in the United States and saw another world."

"I had to review my approach to life. One result was that, when I returned to Kuwait, I tried to get my group more involved in political life and inevitably greater involvement means greater flexibility."

Mr Shatti believes that this involvement has had a political impact on Kuwait and on the National Assembly but argues that it is absurd for anyone to be afraid of his group. "We have the people with us. They believe that we are more honest and maintain faith in our religion. We are without corruption and work in the best interests of the country. This is recognised by the people. So, if

anyone is afraid of us it means they are also afraid of the people."

Mr Shatti also asserts that the Social Reform Society is only interested in putting forward its ideas and is not involved in attacking others.

"Personally, I am quite happy that the Sharia should be a 'a' source of legislation and not 'the' source, although some of my colleagues do not believe that is enough. However, I think that the present

holiday in London, an expensive house here, another on the Cote d'Azur. It is an extremely selfish way of life and a crime for the interests of future generations. People are living just for the moment, whereas we have to plan for security in the future. We must stop being so naive and, instead, start to invest in people and a frame work for the future. We have to be productive and strong and whenever we eventually decide to develop, the people have to be prepared."

Mr Shatti suspects, however, that the "Islamic current" may not fare well in the forthcoming elections.

"In the last elections we were never. We did not have any enemies. Now that we have become a real political group we have friends but we also have enemies. We have also made mistakes."

"The Government fears that if we amend that article of the constitution it would mean an immediate change of the way of life in Kuwait. However, we do not have any ready-made system to substitute."

"I believe in gradual change and, on this, I am with the Government."

But change there must be.

"At the moment most Kuwaitis are just consumers—an American car, the summer

vacation in the Royal Family." Nevertheless, Mr Shatti is confident that some of his colleagues will be successful at the polls.

"But if we continue in the same way, we will probably not be successful the next time round. This, he fears, would be of most benefit to the extremists who still tend to the belief that their objectives are best pursued as an underground group."

"If we fall in the elections they will certainly gain in strength," Mr Shatti predicted.

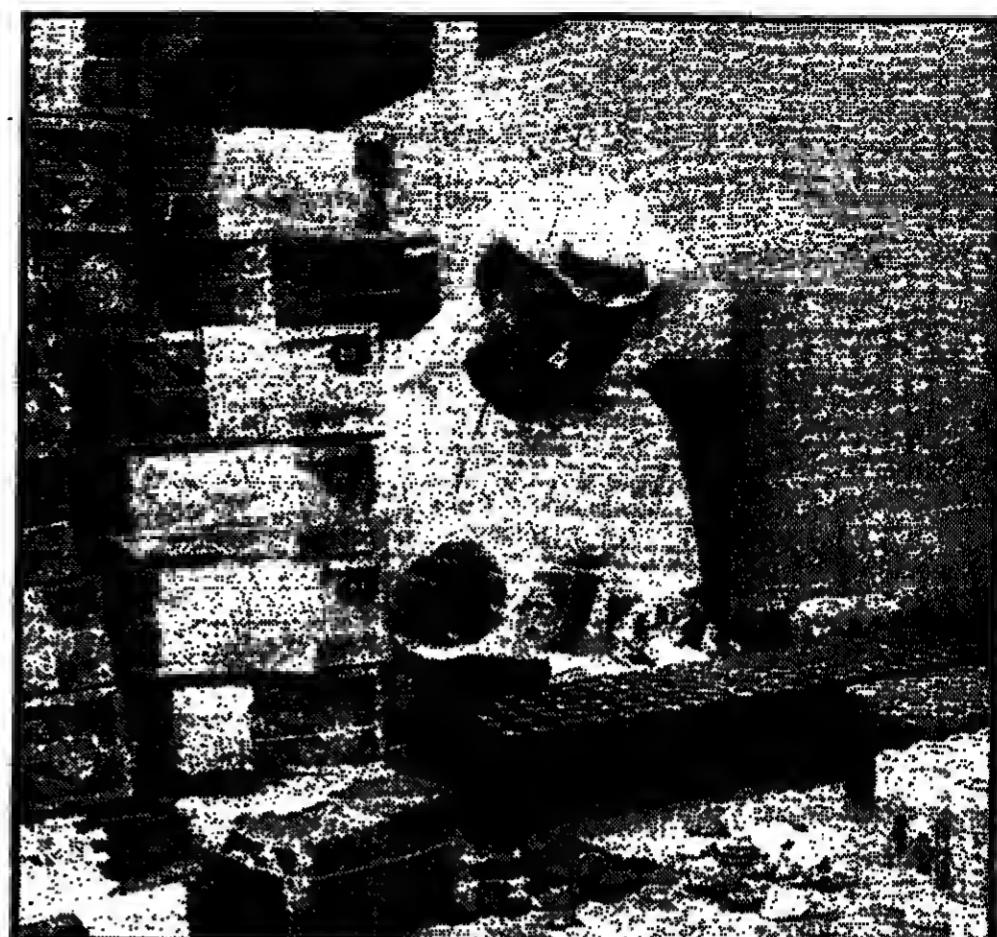
The great achievement of the past four years, he said, was that Parliament had completed its term. This was a notable success for a developing country and it was important to recognise the various balancing forces in the Kuwait equation.

"We are a small country and we, the Kuwaitis, are a minority within that country. We have no power other than oil and money. We also have greedy neighbours who might like to eat us. At the same time the major international powers are interested in Kuwait and what happens here."

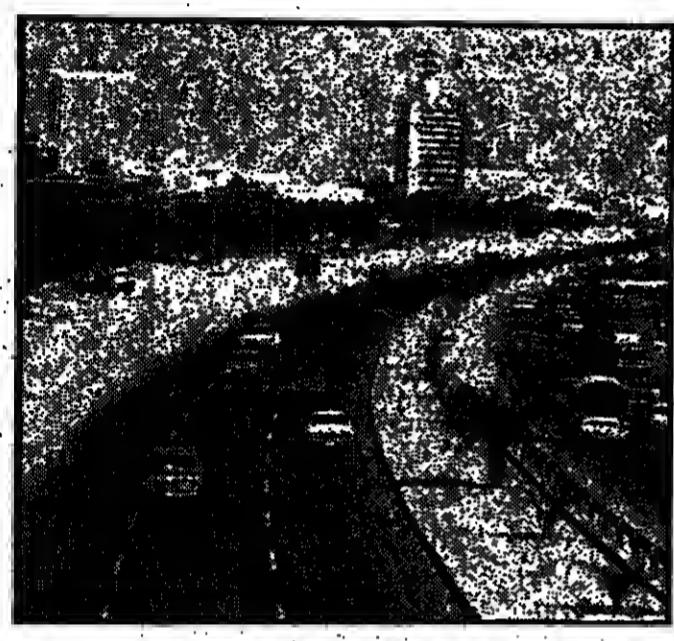
"Then, of course, we also have a Royal Family and we must respect its role in order to keep the equation balanced."

In the last four years we have worked within these limits. Some share in the leadership of the country is very much better than nothing."

ROGER MATTHEWS



OIL RICHES: A bank official counting large bundles of banknotes. Most Kuwaitis, says Ismail Al-Shatti, are "just consumers—an American car, the summer holiday in London, an expensive house here, another on the Cote d'Azur. It is an extremely selfish way of life and a crime for the interests of future generations. People are living just for the moment."



Vehicles sweep along the broad highways of Kuwait. Despite the country's recent economic setbacks, it still has financial reserves of some \$75bn and, compared to other Arab countries, Kuwaitis "are living in paradise," comments Dr Ahmed Al-Khatib.

THE NATIONALIST VIEW

Strong defenders of the constitution

PROFILE: Dr Ahmed Al-Khatib. Former member of the National Assembly. Candidate for 1985 elections.

"People like to try and simplify things for example by referring to my group as nationalists. We are, rather more than that," he says. "We are constitutionalists, democrats, nationalists, and a little bit leftists with rather more interest in the lower income groups."

Dr Khatib goes on to define nationalism as relating more to the group of Arab nations than to Kuwait alone.

"There is no room in this world for a small country trying to act alone," he says. "It is very much in our interests to be part of a much larger group."

But compared to those other Arab countries, Dr Khatib admits to living in a paradise. "We have to be fair about this. We are living in paradise here in Kuwait. Although we may grumble, we do still have our constitution and we are very proud of it."

Dr Khatib accepts that some of his relatively outspoken political statements could well have landed him in serious trouble had he been living elsewhere in the region. He does not pretend, for example, to believe that the authorities in Kuwait have a very deep-seated commitment to democratic forms of government.

Instead, he points to the long tradition of democratic procedures in Kuwait which have survived despite repeated attempts to stifle them.

"The pressure for democratic forms of government goes back a very long way, including when we were under British rule," he says.

Dr Khatib cites the attempts made, since 1920, to create a National Assembly and to hold elections which were a fair test of opinion. And he offers no few examples of the way in which this process was hampered or more blatantly manipulated.

Dr Khatib doubts whether such tendencies have altogether been eliminated but he is confident that they are much more difficult to practise without the public becoming aware. He is also optimistic that younger generations which have had the benefit of a broader education will underpin the democratic process and will be

less likely to accept former practices without question.

"If we do not win election to the National Assembly this time, then something very obvious will have happened," declares Dr Khatib.

Six members of Dr Khatib's group have declared themselves as candidates. Their priorities, if elected, will be the protection of the Kuwait constitution, a just resolution of the Souk al-Manakh crisis and a clearly defined economic policy.

The Souk al-Manakh crisis is without doubt, a really major issue because it brought into the light not just what had been happening there, but also other similar characteristics which have become more widespread in our society and are now much

better understood," comments Dr Khatib.

"All that is good in Kuwait has been created by the people of Kuwait. We have done it through our industry and through our struggle to be independent and democratic. Souk al-Manakh is the product of a different philosophy. There was an attempt to bring in the new rich to replace the old rich, and it failed."

Dr Khatib insists that the Government should stop its policy of using large amounts of public money for the sole benefit of a small social group. At the same time far greater efforts should be made to protect the majority of Kuwaiti workers from the impact of official spending cuts.

On foreign policy, Dr Khatib would like to improve relations with the Soviet Union because of the importance of choosing between friends and enemies, between those who stand with the Arabs in our battle against Zionism and those who back Zionist aggression against us."

For this reason Kuwait had to differentiate between the United States and the Soviet Union — "We must befriend those who support us and oppose those who harm us," he says.

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KFTCIC
A creative approach to finance

Kuwait 5

The country has been obliged to cut its oil production over the past year in line with quotas allotted by Opec. The 'tanker war' has also affected the market



Fire engulfs Kuwaiti gas installations near the Iraqi border. Two of Kuwait's own tankers have also been hit by Iranian aircraft

Market slide continues

The oil industry

KATHY EVANS

FOLLOWING the conclusion of an Opec agreement this month, the differentials between light and heavy oils has been eroded. Kuwait's own crude price has bounced from \$27.40 a barrel before Christmas to \$27.55 at the start of the new year and back to its old level by February 1.

Kuwait's Burjan crude has thus maintained its traditional 10 cent difference against the price of Saudi Arabia's medium-heavy oil. But a number of buyers have warned that the heavy crudes must maintain their cheapness, particularly over the month's ahead when demand for oil traditionally slows at the onset of Spring.

The successful conclusion of an agreement between 13-member states of Opec has largely been the result of efforts by Kuwait's oil and finance minister, Sheikh Ali Khalifa Al-Sabah. However, in two weeks' time, following the general election, the cabinet is due to be reshuffled.

Most opinions in Kuwait believe that if Sheikh Ali is forced to choose between the two portfolios, then he will opt to remain oil minister and the chairman of Kuwait Petroleum Corporation.

Over the last year, Kuwait has been obliged to cut its production in line with the quotas allotted by Opec. Production is now standing at around 900,000 b/d, compared with its previous quota of 1.05m b/d.

Excluded from this figure is the production of the Arabian Oil Company in the offshore neutral zone, which is shared with Saudi Arabia.

Kuwait's share of field amounts to around 120-150,000 b/d, which is sold on Iraq's behalf as Kuwait's assistance to the war effort against Iran. It is not known yet whether this war relief crude will continue to be sold for Baghdad when Iraq completes the two pipelines it is planning which will boost Iraq production by one million barrels daily.

Diminishing

Kuwait's importance as a producer of crude is already diminishing with more than half of its oil now being exported in the form of refined products.

By the end of next year, its refining capacity will go up even further to 640,000 b/d. In addition, KPC subsidiaries are among Kuwait's largest crude oil customers, absorbing on the average about 100-120,000 b/d which goes to the European refineries.

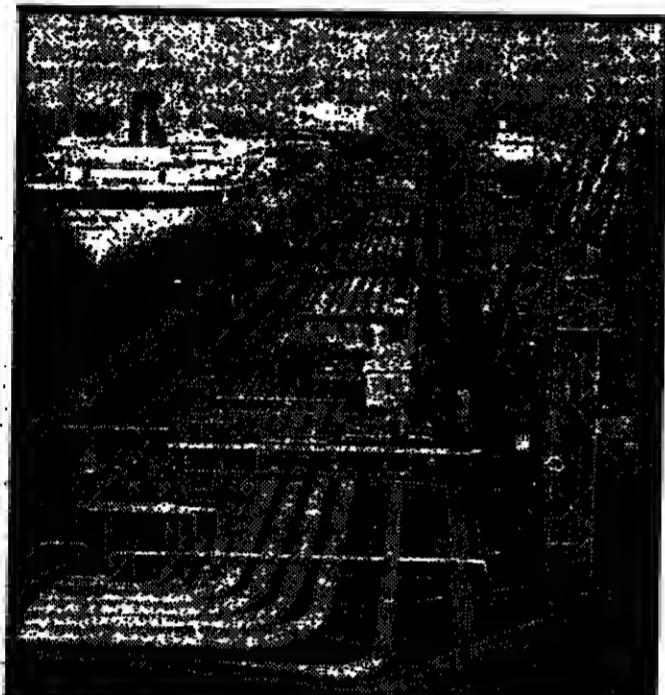
The figures for July and November of last year highlight just how important the refined products exports are becoming.

Out of a total export output of 879,000 b/d in July, some 331,000 b/d went out in crude form and 488,000 b/d was exported as products. In November, the figures were 317,000 b/d of crude exports, and 530,000 b/d went as refined products.

Deliveries to local power stations were 31,000 b/d and 22,000 b/d respectively over the two periods.

One of Kuwait's major crude oil customers is Chinese Petroleum Corporation of Taiwan, which is currently buying 75,000 b/d in a direct deal with KPC, down from 95,000 b/d the previous year. The contract is due to be renewed at the end of the first quarter of this year, but in view of Taiwan's decision need for heavy crude, the contract volume is likely to be reduced. Taiwan has now commissioned its first nuclear power station and thus needs heavy fuel oil and is turning its attention to light crude producers in Brunei, Malaysia and Indonesia.

With the Japanese, the Kuwaitis have mixed relations. Imitatsu is its sole term-contract customer and is thought to be considering its 15,000 b/d contract.



Kuwait's oil revenues have more than halved since the 1979-80 financial year. Market analysts also predict that prices could soften further. Above: oil tankers loading at Mina Al-Ahmadi

Kuwait's foreign trade									
Description	1981			1982			1983		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Total exports	1,612	1,633	942	765	726	821	818	766	766
Oil exports	563	583	800	639	596	696	686	662	662
Other exports	149	145	142	129	130	125	131	104	104
Export of Kuwait	41	33	34	35	22	26	—	—	—
Origin	108	112	106	94	96	99	—	—	—
Re-exports	493	486	568	580	650	568	599	541	541
Total imports	519	547	374	188	76	283	219	225	225
Balance of trade	593	586	522	588	646	537	597	517	517

Source: National Bank of Kuwait

at the time by Lloyds, and decided that repairing casualties was cheaper than insuring the entire fleet.

The decision to build further product carriers was a reflection, say KOTC officials, of the KD 1.4bn expansion programme underway to expand the domestic refineries. This expansion programme will increase Kuwait's refined products capacity from a present level of 480,000 b/d to 600,000 b/d by the end of 1986.

This large outlay on refineries will necessitate a further call-up of capital in the next few months by the Kuwait Petroleum Corporation. KPC's current authorized capital is KD 2.5bn, of which KD 1.6bn has been paid in.

Profits fall

The company's net profit in the 1983-84 fiscal period was KD 230m, compared with KD 307m in the previous year. The decline in net profit was due to "reclassification" of some of the income, says Abdul Hadi Awad, KPC's financial manager.

Total revenues were KD 4.53bn compared with KD 3.7bn in the 1982-83 period.

Total assets went up by KD 900m to reach KD 4.9bn. European refining activities broke "more or less even," says Awad, with Italy, Sweden and Luxembourg providing the most profitable areas. Sante Fe operations generated about \$1.8bn in revenues, he says, though their profits were lower than the previous year.

KOTC's overseas exploration arm, KUFPEC, showed a deficit of KD 2.39m compared with a previous handsome surplus. However, this is the result of increased expenditure by KUFPEC in exploration and the expenses incurred in its role as an operator in Tunisia and Bahrain. Total expenditures for the 12-month period ending December 1983 were KD 13.15m compared with KD 13.46m for the previous 21 months before the end of 1982.

Until now, KUFPEC had been making most of its money from interest income which in 1983 amounted to KD 9m. However, a concession in the South China Sea held in the name of Sante Fe with Arco as an operator, has struck gas in commercial quantities.

The find is said to have reserves of 3 to 4 trillion cubic feet, which although small by Gulf standards, could, nevertheless, play a role in alleviating Kuwait's own gas shortage problem.

So far, some KD 6.42m has been spent on the China venture by both pre and post-acquisition costs.

Last year was comparatively quiet for KPC in terms of foreign acquisitions, for the only confirmed purchase was for a small Houston-based exploration company, Estar. KPC did try for Chevron in the U.S., but was outbid by Sohio.

The corporation's general overall strategy concerning future acquisitions focuses on securing more marketing outlets so that the additional refined products which will be coming shortly from its own refineries will find a market.

KPC officials say they are still interested in the British market, though talks with Gulf and Arco appear to have dragged on with little result.

The principal obstacle to the deal would seem to be the Milford Haven refinery which KPC officials say is too large.

The U.S. still remains an area of interest but slow progress is being seen in the legal case to secure exploration rights on federal lands. The original decision of the Interior Department has been questioned by a court and the matter returned to them, though this has yet to lead to a decision by the U.S. Government reversing the original ban.

KPC officials say they are basically prepared to look at anything in the principal world markets "providing it is not too expensive—more than \$1bn or something," remarked one senior executive.

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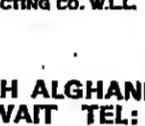
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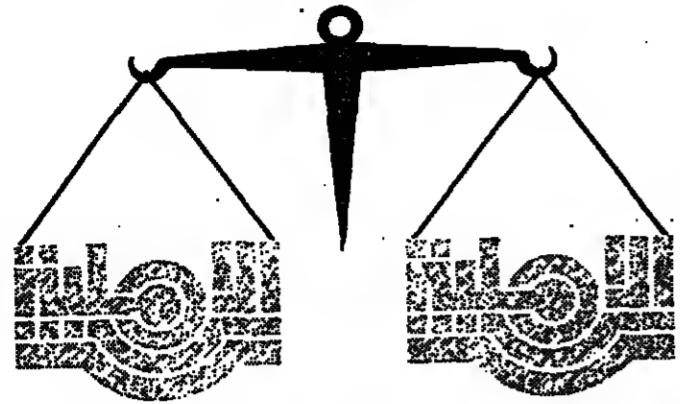
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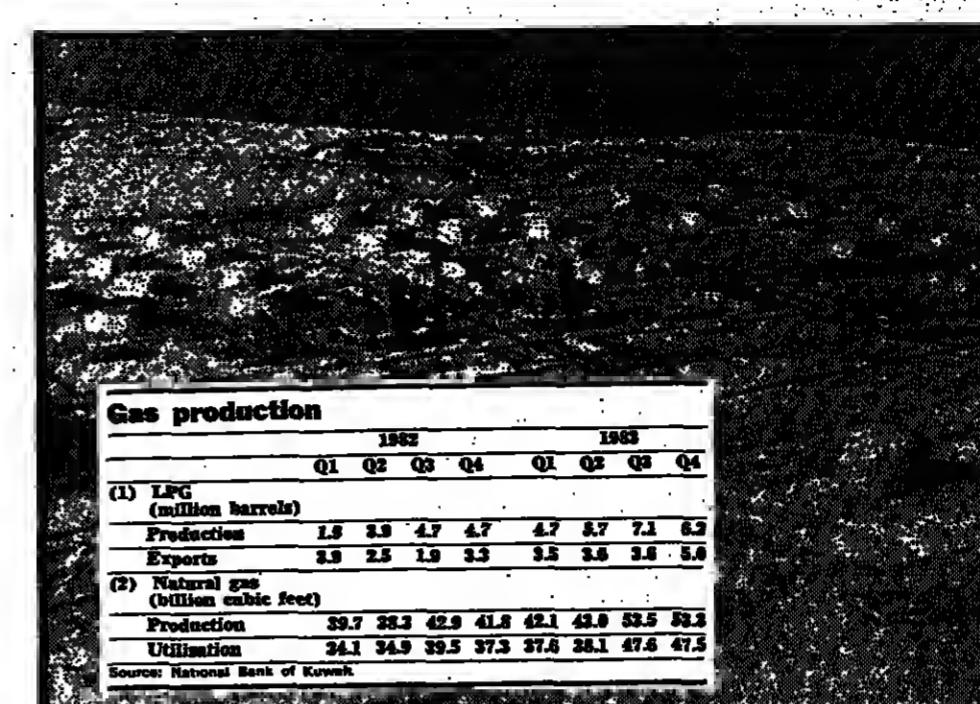


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The gas industry

KATHY EVANS

ONE of the most frequent demands from Kuwait's oil and finance minister, Sheikh Ali Khalifa al Sabah, is that every time a hydrocarbons find is made it is oil rather than gas.

With the current decline in world demand for oil, Kuwait is suffering a shortage of associated gas. To have sufficient gas for its power stations, the country should produce about 1.2m b/d of oil. Its current Opec quota is 900,000 b/d.

So far, exploration onshore has yielded only crude oil, and the search offshore has been hampered by security considerations and the proximity to the war zones and Iranian waters.

The latest crude oil find in the south of the country, the Magwa Field, inevitably will produce more associated gas, and there is thought to be a higher gas/oil ratio than in Kuwait's existing medium-quality oil.

Just how much gas can be expected from the field has not yet been disclosed although preliminary output figures indicate an eventual crude production rate of 200,000 b/d. The field is due to be commissioned next year, starting at 50,000 b/d with annual addition of the same amount until the 200,000 b/d is reached.

High cost

This shortage of gas is costing Kuwait dear. The LPG plant is running at less than a third of its capacity, output of its petrochemical plants are well down, and the power stations have to make use of heavy fuel oil and crude to offset the lack of gas. These products could be expensive.

Not surprisingly, Kuwait has made overtures to overseas gas suppliers, but given the present insecurity in the Gulf, plans to import LNG have been put on the backburner for the time being.

Perhaps the most telling symptom of this present gas shortage can be seen at the Shuaiba LNG plant. Designed for a national crude oil output of 3.6m b/d, the plant consists of three trains using 560m cu ft of gas daily and 40,000 b/d of gas liquids. At present only one train is being utilised at the rate of 75 per cent of its capacity.

Another train has been mothballed since September 1982, and the third remains on

standby for faults and maintenance in the operating train. Adel Sharhan, chief co-ordinator at the plant, says ruefully: "The plant has never really worked at full capacity. We did run all the trains for a few months, but only for test purposes."

Current throughput of gas into the plant is only 400m cu ft a day with 30,000 b/d of liquid feedstock. This gas is received at only nominal cost. If, however, production goes down further, this is due to 60,000 b/d, then LPG production could look economically

Current exports are running at about 45,000 b/d of propane, 30,000 b/d of butane and 25,000 b/d of natural gasoline. Exports were carried mainly in KOTC LPG tankers as Kuwait's foreign customers are still reluctant to bring their own carriers into the northern Gulf.

However, the LPG plant is directly connected into the network of Kuwait's petrochemical plants and the power stations. Here the impact of the gas shortage has caused Petrochemical Industries Company (KPC) to record a further \$25.5m loss in its period ended June 1984, compared with the previous year's figure of \$9.5m loss.

Abdul Bader al Noori, chairman of KPC, says that "last year the ammonia plant was receiving only about 40m cu ft of gas daily, though of late this figure had improved to around 55m cu ft daily. Total design capacity would call for 142m cu ft a day with the fourth ammonia line in operation.

The fourth line, which came on stream last year at a cost of about \$30m, was conceived nearly five years ago when oil market prospects looked very different.

Future prospects, al Noori concedes, do not look any brighter, but he points out that the shortage of gas at the plant forced the company to make more efficient use of the gas they are receiving. However, KPC's chairman is even talking of a prolonged period of maintenance during the summer period when gas requirements at the local power stations are at their peak for air conditioning.

The other main client for the gas from the LPG plant is the Ministry of Electricity and Water. The shortage of gas at the power stations is being made up by the use of about 20,000 b/d of crude oil and heavy fuel oil. These alternatives may be less environmentally desirable, but as one KPC official put it, "The public would rather have power and

pollution than no power and less pollution."

The fourth line, which came on stream last year at a cost of about \$30m, was conceived nearly five years ago when oil market prospects looked very different.

The company is presently installing a treatment plant which will desulphurise the heavy fuel oil, thereby reducing the pollution.

Local market sales in the 1982-83 period went up by 33 per cent largely because of demand from the Ministry of Electricity. Its gas consumption went up to 12.3m barrels per annum as the shortage of gas became evident.

It was this consumption of petroleum products which encouraged KPC to look at possible alternatives. One option was to import LNG which could be directly piped into the power stations. A special carrier, the Gas al Rawdatan, was acquired and vaporisers installed so that the LNG could be treated on board ship before reaching the shore. Slave installations have already been completed.

Although the machinery is in place, the plan has not gone ahead for several reasons. Talks were opened with several potential suppliers, Algeria, Indonesia and Abu Dhabi, but attention focused on the latter. Having such a nearby supplier would have allowed additional imports, for shipment times would have been much shorter than the alternatives.

However, any talks on LNG imports from Abu Dhabi also require negotiations with Japanese interests. The Japanese area not only a share-

bolder in the Daz Island plant there, but the Tokyo Electric Power Company its sole customer. The Tokyo company has also invested substantial sums itself into the Abu Dhabi connection through the investment in gas carriers to bring the gas to Japan.

Discussions were still going on as late as January during the visit to Tokyo of Kuwait's oil minister, but the Japanese did express concern over safety and security aspects. They point out that ship-to-shore transfers of LNG have never been done in the Gulf, and such an operation has to be handled extremely carefully because of the danger of explosion.

Strategy

More importantly, any plan to bring LNG to the northern Gulf has to be considered in the from Iran. The strategy to boost gas supplies through the import of LNG has therefore been temporarily shelved until security conditions improve.

There were also reports of disagreements between Abu Dhabi and Kuwait on the price to be paid for the gas. All of Kuwait's gas customers at the moment receive their feedstock at only nominal cost. Any increase in the price of the feedstock, even close to market levels, could radically alter the economics of the petrochemical plants and force up electricity production costs.

The other hope for increased supplies of gas lies with the Southern gas fields project, a plan to harness the associated gas in the offshore neutral zone to the south. Kuwait has gone ahead with the project although in the past few months work has concentrated largely on the onshore facilities for receiving the gas.

Work on the offshore section has been held back by difficulties over permission from Saudi Arabia, say KPC officials. The stoppage of work is thought to be a reflection of a disagreement between Saudi Arabia and Kuwait over sharing the gas which will become available.

Sources say that Kuwait has offered to pay for gas which under the sharing agreement would go to the Kingdom. However, the Saudis have apparently made it clear that they would like to use some of the gas to boost their supplies on the east coast.

Talks are continuing between the two countries but until an agreement is reached on who is to get the gas, and for how much, the southern gas field project would seem to be indefinitely delayed.

BUSINESS PROFILE

Conglomerate with diversity of interests

CAR SALES in Kuwait fell an average of 27 per cent in 1984. Other consumer goods are moving more slowly than they used to and customers are putting off paying their bills. For contractors, the market is increasingly more competitive as the volume of available work dwindles.

Despite all of this, the profits of the Al Mulla group of companies have been going up over the past three years. Partly, this is because the management has made a virtue out of necessity and improved cost efficiency, aided by a linked incentive scheme which gives each department-head a vested interest in pushing sales and keeping both staff and customers happy.

But the sheer diversity of the group's operations has been a major factor in its ability to "buck the trend."

Although car sales are down (much less so than the market average, according to an Al Mulla director), the rental and leasing division has shown tremendous growth over the past three years, with 1984 being particularly successful.

Among the newer divisions which have emerged ahead rapidly are office equipment and cleaning maintenance. The latter has the cleaning contract for the three 20-storey towers of Kuwait's Joint Banking Centre, and (in association with Pritchard Services Group of the UK) for the Basra Teaching Hospital in Iraq and Baghdad's Saddam Hussein International Airport.

The project engineering and electrical installation divisions have compensated for the effects of a depressed market by more than doubling their market share. The current order book includes Kd 1.5m worth of work at the Kuwait Institute for Scientific Research (KISR) and contracts at the Shuaiba North Power Station, a district electricity distribution contractor, Commercial Bank of Kuwait head office, Hawalli schools and the Arab Research Centre.

Unlike most exclusive agents, Al Mulla will repair any make of car, not just the ones they sell, and the quantity of spares they buy from other manufac-

Al Mulla Group - its scope of operations

● Domestic products (1947):

Agencies for GEC, Pirelli, Woods of Colchester and others.

● Automotive (1947):

Sales of Mitsubishi, Chrysler, Plymouth and Dodge cars; commercial vehicles and trucks; custom-built vehicles (e.g. police vans, ambulances, armoured personnel carriers); used cars; parts and accessories; exclusive agency in Kuwait for Gulf Oil lubricants and greases service garage.

● Domestic appliances (1947):

Many U.S. and European agencies for household appliances; kitchen utilities; Japanese hi-fi equipment; service facilities.

● Project Engineering (1959):

Design, supply, installation, operation and maintenance in the fields of air-conditioning, heating and ventilation, mechanical and electrical services.

● Advertising (1975):

In association with Grant and Kenyon-Eckhardt.

● Heavy Equipment (1976):

Agencies for Mitsubishi and NYK forklifts, Kato Cranes; Fleet sales and equipment bulk purchase orders; supply contracts and tenders.

● Environmental Systems (1978):

Refuse collection, street cleaning, waste disposal, (in association with Browning Ferris Inc of Houston).

● Marine (1977):

Al Mulla Group, UK

● Office Equipment (1980):

Agencies for Minolta Copiers, Oki Fax machines, BSI electric typewriters, etc.

● Engineering Products (1980):

Agencies for protective coatings, AC control systems, industrial inspection and test equipment.

● Security Services (1980):

In association with Securicor.

● Food (1981):

Wholesale distribution fast-food restaurants.

● Cleaning and Maintenance Services (1981):

In association with Pritchard Services Group, UK.

● Computer Services (1982):

Agencies for NCR and International Brokerage and Leasing.

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Stock Exchange
DAVID LASCELLES

KUWAIT'S NEW Stock Exchange, with its large, polished granite trading floor, may be one of the most spectacular buildings in a town noted for eye-catching architecture. But its beginnings could hardly be less auspicious.

Starting life in the wake of the Souk al Manakh crisis, with investors conditioned at rock bottom, and trading volume barely a trickle, it may be appropriate that business is actually being done in the corner of an upstairs room until the main floor opens later this year.

But even when trading proper gets under way, the prospect of

the exchange fulfilling the high ambitions that the Government had for it when planning started in the late 1970s, looks distant, at least until the Kuwait commercial climate takes a sharp turn for the better.

For a time after the Manakh collapsed, the Government propped up the stock market by buying shares at support levels which gave the impression that prices were stable. If no trade took place for several days or weeks, prices were "unchanged" regardless of what was actually being bid or offered by dealers.

That support ended last April, by which time the Government had spent an estimated KD 800m and bought nearly half the market. Since then, prices have been in steady decline, but for a slight bump in October-November when there was talk of "buying the market" to improve the appearance of investors' year-end balance sheets.

At the same time, the Exchange went over to quoting closing prices on the basis of bid and offered rather than last trade, which starkly exposed the value dealers were actually putting on stock, rather than what someone might have been willing to pay a considerable time before.

Share values

All told, these steps wiped half the value off the market in 1984, which raises the question of who trades at all in these conditions. Most deals appear to stem from people still trying to sort out their Manakh affairs. There is a special evening session when former Manakh or "Gulf" stocks are traded, in addition to the two daily sessions.

About 40 Kuwaiti companies are listed, plus 15-20 "Gulf" stocks. However, what little dealing there is is done mainly in the leading bank stocks, plus some of the larger investment, insurance and industrial companies.

There are two market-making firms who are supposed to provide liquidity. But they only operate sporadically, and is no guarantee that an investor will be able to sell or buy stock, which tends to concentrate dealing on the most liquid blue chip stocks. There is talk of the Government setting up a third, strongly capitalised market-maker to help dealing along.

Not surprisingly, the rules of



Kuwait's impressive new stock exchange building: the main floor will open later this year but at the moment trading is at a low volume in the wake of the Souk al Manakh crisis.

the new stock exchange have been tightly drawn to prevent a Manakh-style roller coaster. All trades have to pass through brokers on the trading floor who are not supposed to know who their clients are. Bid and offered prices are chalked up on boards, and a broker has to declare his interest if he is on both sides of a deal.

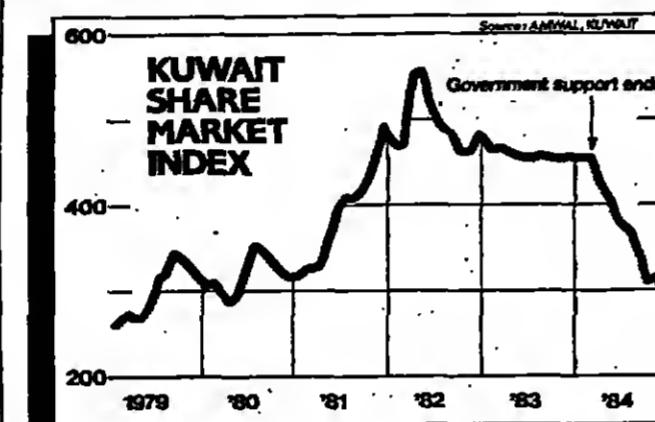
There are also daily price movement limits, and shares must be traded in pre-determined lots. Investors may not buy on margin or sell short, and brokers must guarantee their payments.

The brokers deal on fixed commissions. They complain these are too low to make a living, and many of them plainly dislike the spruce new quarters where they have to receive clients after the gossipy back rooms of the Manakh.

But this is all meaningless until the market comes alive, and no one is quite sure how that will happen. The Government is keen to see trading pick up both as a sign of, and an aid to, economic recovery, but it can hardly go on, and buy even more shares. (The prospect of it actually selling may be a good place to start,

some of its holdings is even smaller). And at the end of last year, there is talk of getting big institutions together to buy and prime the pump, but nobody seriously thinks that would work.

The Kuwaiti's own investment psychology will probably have to change. After indulging in a giant casino, as one broker points out, they are going to have to start looking at boring things like fundamentals. And the fact that the National Bank of Kuwait is now selling at only half its net asset value may be a good place to start.



Still hesitant to break social codes

Women
KATHY EVANS

In Europe every few months, a villa with nice furniture, jewellery, bemocked one young Kuwaiti. The subsequent result is that many first class Kuwaitis are marrying beneath their "social class," or even second class citizens, says Rasha Sabah.

Kuwait was the first Gulf country to establish women's societies, and the oldest, the social and cultural society for women, has been going for over 22 years. Until recently, these clubs functioned largely as a vehicle for social contacts, and an endless whirl of tea parties and jumble sales held for such laudable causes as famine victims in Africa, and needy villages in Lebanon and Sudan.

Functioned as spur

Lately, the societies have turned their attention to consciousness raising, and two of them have functioned as the spur to the women's movement in Kuwait.

But even in this, Kuwaiti women are not united. There are two religious women's clubs which appear to act as a positive deterrent to women's independence. They promote the belief that a woman's life should revolve around the Koran, the Kitchen and the children.

That viewpoint is reinforced by the voice of one of the highest ladies in the land, Sheikhha Latifa, wife of the Crown Prince and Prime Minister.

Ironically, her conservative views contrast starkly with those of her husband, for Sheikh Saad has become one of the principal supporters of the cause of women's rights in Kuwait.

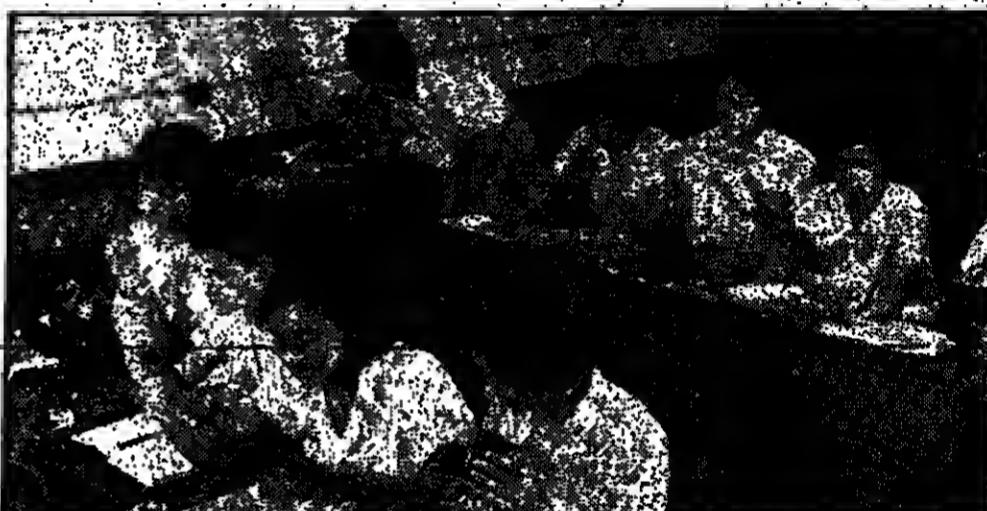
The American equivalent of this bizarre situation would be to have President Reagan supporting the equal rights amendment, and Nancy Reagan actively fighting against it.

Tradition is still the greatest inhibitor to the women's movement in Kuwait for local women still have to obey social codes and risk the family curse in the cause of women's rights. There will be no symbolic stormings of the male preserves therefore—such as the floor of the stock exchange, or the election tents.

"That would be against our tradition," said a leading member of the most active society. Neither will the money of Kuwaiti women come into play to promote their cause. Kuwaiti women still rely on their male relatives to advise them what to do with their funds. A team of financial advisors dispatched by the Canadian Bank to serve the investment needs of Kuwait's hidden millionaire left empty-handed and disappointed.

Given the incoherent nature of the women's movement of the country, it is difficult to see how successful they are going to be in their pursuit of the right to vote. The Kuwait constitution guarantees that there will be no discrimination among the sexes, race or origin. On the other hand, it says that all "muwatinat" of first class category have the right to vote. The word translates two ways—as male nationals in the plural, or simply as nationals. The electoral law, however, specifically bars women the vote.

Seeking to exploit the apparent contradiction in the constitution, over 80 women simultaneously marched to voters' registration offices last



Senior students in the science laboratory of a girls' secondary school in Kuwait September and demanded the right to register as voters. Luwa Kataami, president of the largest women's society, called that they were met with amazement, and offers of tea.

The idea is to specifically identify those candidates in the eyes of the public and make the candidates stick to their pledges once they get into parliament. However, even the candidates known to be their greatest supporters appear to give greater priority to the granting of voting rights to second-class citizens.

"Don't forget we have already come a long way. In my youth a woman left her home twice in her life—once to go to her husband's house, and the second time to go to her grave."

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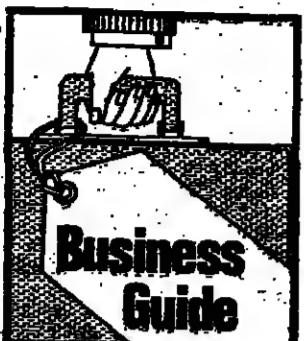
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Kuwait 9

Tips for overseas visitors



Basic statistics about Kuwait, plus advice and information for business visitors, including the following:

Area: 7,618 sq km (including portion of neutral zone)

Population: 1.45m (1983); non-Kuwaitis make up approximately 58.6 per cent of total population.

GNP per capita: US\$42,800 (1980).

Capital: Kuwait City (population, 1980 estimate: 520,000 including Hawalli and Salmiya).

Climate: Summer: likely temperature range 40°C-50°C, humidity 80 per cent, dust storms occur. Winter: likely temperature range 7°C-20°C (but down to 0°C recorded); most rainfall (around 100 mm annually) between Dec-March.

Taxes: VAT + 3%.

Official language: Arabic. Commercial: Arabic, English. Extra: German. Passport required by all (with isolated exceptions). Visa required by all with exception of nationals of certain neighbouring states and certain other document holders. Prohibited entry areas: Israeli passport or visa-holder. NB: extensive visa regulations/conditions are strictly enforced.

Health precautions: Mandatory none.

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National airline: Kuwait Airways.

Other airlines: serving: Aeroflot, Air France, Air India, Air Lanka, Alitalia, Alvesa, Balkan, British Airways, CSA, Cyprus Airways, KLM, Air, Gulf Air, Iberia, JAL, KLM, Royal Jordanian, Pan Am, Royal Air Maroc, Saudi Aramco, TAP, Transavia, United, Varig, Virgin Atlantic.

Car hire: available, and shared.

Kuwait Airways, Libyan Arab Airlines, LOT, Lufthansa, MAEV, MAS, MEA, Olympic Airways, PIA, Royal Air Maroc, Saudi, Sudan, Swissair, Syrian Arab Airlines, Taron, Thai Airways International, Tunisair, Yemenair.

International airport: Kuwait International (Code: KWT), 16 km from city.

Facilities: Duty-free shop, buffet, restaurant, bank, hotel, reservations, post office, money exchange, Sunseeker, Sharq (tel: 416844; telex: 22800), Jazeera & Qasr Al-Sarai Transport Co. Almadi (tel: 980856).

Internal travel: Road: good, surfaced road system. Bus: nationwide.

Overland access: Excellent roads from Saudi Arabian and Iraqi borders.

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Bristol: PO Box 3551 Safat (tel: 430281; telex: 2061).

Caravelle: PO Box 3492 Safat (tel: 423171; telex: 22064).

Carlton Tower: PO Box 26950 Safat (tel: 2452740/58).

Golden Beach: PO Box 3483 Safat (tel: 428521/7; telex: 22231).

Hala House: PO Box 823 Safat (tel: 2558185; telex: 22269).

Holiday Inn: PO Box 18544, Farwariyah (tel: 742000/783100; telex: 46460).

Hynes Regency: PO Box 1139 Salimiyah (tel: 498000; telex: 49802).

Kuwait Hilton: PO Box 3868 Safat (tel: 253000/253300; telex: 22089).

Kuwait Sheraton: PO Box 5802 Safat (tel: 421005/422055; telex: 2216/2434).

Mariott: PO Box 24285 Safat (tel: 635344; telex: 23306).

Meridian: PO Box 2302 Safat (tel: 244922; telex: 44458).

Messiah Beach: Salimiyah, PO Box 3522 (tel: 613466; telex: 22215).

New Cedars: PO Box 1793 Safat (tel: 432988).

Phoenix: PO Box 4664 Safat (tel: 421051; telex: 22062).

Sahara: PO Box 20461 Safat (tel: 432684/424121; telex: 22102).

SAS Hotel: PO Box 26199 Safat (tel: 657000; telex: 44306).

Spring Continental: PO Box 2175 Safat (tel: 642620; telex: 23144).

Taxis: Both "private" and shared.

(orange-coloured; set routes) taxis available; maximum fare laid down within Kuwait City.

Bank of Bahrain & Kuwait: Banking hours: summer 0700-1200; winter 0600-1300 (exceptions: Fri closed; some banks also open in afternoon).

Insured and locally approved/inspected international driving licence essential.

Area: (tel: 417500).

Europcar: Al Ghaniya Rent-a-car, PO Box 81 Safat (tel: 423327/2443186; telex: 22800).

Samouk: Sharq (tel: 416844; telex: 22800).

International Travel: Almadi (tel: 980856).

Internal Travel: Roads: good, surfaced road system.

Bus: Nationwide.

Tariff restrictions: Import rules are extensive, including:

Restrictions: certain industrial machinery, arms and ammunition, radioactive material controlled by licence.

Prohibited: any trade contact with Israel or South Africa; importation of alcohol, wheat, foodstuffs with cyclamate, secondhand vehicles, certain construction piping.

Kuwait Planning Board, Kuwait City.

Useful business addresses: In Kuwait City, Kuwait Chamber of Commerce and Industry, P.O. Box 755 Safat, Kuwait; Kuwait Industrial Company, P.O. Box 42121, Kuwait.

Useful Telephone Numbers: Ambulance: 422121; Fire: 105; Police: 112; Booking Foreign Calls: 417 Safat, Petrochemical Industries Board Company, P.O. Box 1084 Safat, Shuwaikh Area.

Immediate: 022; Postponed: 021; Authority, P.O. Box 4280 Safat.

Embassies in capital: Afghanistan, Algeria, Australia, Austria, Bahrain, Bangladesh, Belgium, Brazil, Bulgaria, Canada, China PR, Costa Rica, Czechoslovakia, Denmark, Egypt, France, Germany, DR, German FR, Greece, Hungary, India, Indonesia, Iran, Italy, Japan, Jordan, Rep. of Korea, Lebanon, Libya, Malaysia, Mauritania, Morocco, Netherlands, Norway, Oman, Pakistan, Phillipines, Poland, Qatar, Romania, Saudi Arabia, Senegal, Somalia, Spain, Sudan, Sweden, Switzerland, Syria, Turkey, USSR, UAE, UK, USA, Venezuela, Yemen AR, Yemen PDR, Yugoslavia.

International: headquarters: Arab Fund for Economic and Social Development, P.O. Box 21223, Safat, Kuwait City.

Organisation of Arab Petroleum Exporting Countries (OAPEC), P.O. Box 20501, Safat, Kuwait City.

Members of international organisations: GATT, ILO, IMF, OAPEC, OPEC, UN, WHO.

Arab Common Market, Arab Fund for Economic and Social Development, Arab League, Islamic Conference, Islamic Development Bank, Gulf Co.

90: contribution of oil revenue to GDP put at 70 per cent (1980). First exploration/study 1914; some earlier export but major exploitation began over 70m barrels-life of fields 1946; reserves generally put at 100-150 years. Output, early-mid-1982, around 0.7-0.8m b/d.

Min. al Ahmadi: 300,000 b/d; Min. al Ahmadi: 150,000 b/d; have capacity of around 550,000 b/d with expansion to 700,000-750,000 b/d planned by 1984.

Very little agriculture is naturally suited to the country and intensive effort is needed to counter problems like scarce (and brackish) irrigation water, soil deficiencies, climatic conditions, pests (e.g. red spider). Besides irrigation, hydroponic

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